

Diocese of San Jose  
Financial Policy Manual

# Diocese of San Jose Financial Policy Manual

As of 03-28-2017

## TABLE OF CONTENTS

<b>I. Policy</b>	<b>Page</b>
1 - Civil Law and Canonical Law.....	4
2 - Financial Governance.....	5
3 - Parish Finance Council.....	6
4 - School Finance Committee.....	8
5 - Collections and Cash Handling.....	10
6 - Budget and Financial Reports.....	14
7 - Fixed Asset Capitalization .....	16
8 - Allowance, Provision, Reimbursement, and Loan - Clergy.....	18
9 - Allowance, Provision, Reimbursement, and Loan – Religious and Laity.....	20
10 - Affiliated Organizations.....	22
11 - Charitable Fundraising Gambling.....	24
12 - Financial Volunteers.....	26
13 - Fundraising Activities.....	27
14 - Stipends and Mass Intentions.....	29
15 - Scrip.....	32
16 - Use of Parish and/or School Facilities.....	34
17 - Selling Items on Parish or School Grounds.....	35
18 - Purchase of Goods and Services, Disbursements, and Use of Credit Cards.....	36
19 - Independent Contractors.....	38
20 - Agreements, Contracts and Leases.....	39
21 – Banking and Savings Regulations.....	40
22 - Annual Review of Operations and Finances.....	42
23 - Parish and School Annual Financial Reporting Requirements.....	44
24 - Gifts.....	45
25 - Charitable Funds.....	46
26 - Loans .....	47
27 - Parish and School Accounting Systems.....	49
28 - Fraudulent or Dishonest Conduct & Whistleblower Policy.....	50
29 - Sales Tax Exemption, Collection, and Remittance.....	51
30 - Diocesan Finance Council.....	52
31 - Diocesan Records.....	53
32 - Legal Services.....	54
33 - Communications.....	55
34 - Change of Pastor, Minister of Parish Life - Inventory of Information Required ..... and Other Acts.....	56
35 - Endowments.....	58
36 - Investment Pool Policy.....	60
<b>II. Glossary.....</b>	<b>68</b>

Diocese of San Jose  
Financial Policy Manual

<b>III. Exhibits</b>	<b>Page</b>
A – Diocesan Finance Councils – from USCCB website (refers to Policy # 30) .....	72
B - Records Retention – from USCCB website (refers to Policy #31).....	75
C - 12-Step Project Review by the Building and Maintenance Committee - from DSJ Facilities Director (refers to Policy #20).....	81
D - Sample – Collection Bag Log – from DSJ Compliance & Parish Financial Services Director (refers to Policy #5).....	83
E – Memorandum – from John Ottoboni Guidelines for Raffles (refers to Policy # 11)....	84

## 1- CIVIL LAW AND CANONICAL LAW

**1.1. Policy** While administrating any Parish, School or agency of the Diocese of San Jose [hereafter “Diocese”], all Pastors, Ministers of Parish Life, Principals, Parochial Administrators and Agency Directors are required to observe all applicable civil laws and canonical laws, including, but not limited to, canons 1281-1289, as well as the Diocese of San Jose Financial Policy Manual and other relevant diocesan documents.

**Note:** While some civil and canonical laws are covered in this manual, generally this is because such laws are important or are frequently applicable. That does not mean unlisted civil laws or canon are not to be observed. It is simply not feasible to list every civil law or canon that might be applicable to the administration of a Parish, School, or agency of the Diocese. If any Pastor, Minister of Parish Life, Principal, Parochial Administrator or Agency Director has any questions in this area, they should contact the Diocesan Offices.

## 2- FINANCIAL GOVERNANCE

**2.1. Policy** With the exception of the Drexel Schools, the Pastor or Minister of Parish Life is both the primary administrator and the spiritual leader of the Parish and the Parish School, if any. These are important responsibilities that the Pastor or Minister of Parish Life is not permitted to delegate. Further, because Parish Schools are considered an integral part of the spiritual mission of any Parish, the Pastor or Minister of Parish Life does not have the authority to transfer this responsibility to someone else, such as a School Principal.

**Note:** Drexel Schools are an exception to Policy 2.1. When the School associated with a Parish is a Drexel School, the Pastor or Minister of Parish Life is not the primary administrator of the School. The Pastor or Minister of Parish Life, however, will always be the primary spiritual leader of the School even if it is a Drexel School. The Superintendent of Schools is the primary administrator of the Drexel School.

### 3- PARISH FINANCE COUNCIL

**Note:** These policies set forth the purpose and responsibilities of the Parish Finance Council and the qualifications required of its members. Canon 532 requires that the Pastor or Minister of Parish Life ensure that all Parish goods are administered in accordance with canons 1280—1288. Canon 537 requires each Parish to establish a finance council to help the Pastor or Minister of Parish Life administer the goods of the Parish. The Diocese refers to these councils as “Parish Finance Council.”

**3.1. Policy** Each Parish is required by canon law to have a Parish Finance Council.

**3.2. Policy** Members of the Parish Finance Council shall be members of the Parish community who have been baptized in the Catholic Church (canon 204), who remain in communion with the Catholic Church (canon 149), are not barred by a legitimate sanction (canon 96) and who have demonstrable skills or expertise in financial management, finance, civil law, and/or general business matters and are of impeccable integrity.

**3.3. Policy** The Parish Finance Council shall be made up of between three and nine people, in addition to the Pastor/Minister of Parish Life, the Parish administrator, the Parish accountant, and Parochial Vicar(s). No Parish employee or member of the immediate family of a Parish employee may serve on the Parish Finance Council. No members of the Parish Finance Council may be related to the Pastor/Minister of Parish Life.

**3.4. Policy** Members of the Parish Finance Council shall be appointed by the Pastor/Minister of Parish Life for a fixed term of two to three years and may not serve more than two consecutive terms. Terms are to be staggered for council continuity and member rotation. Members may be terminated by the Pastor/Minister of Parish Life “at will.”

**3.5. Policy** Each Parish Finance Council will regularly review the Parish Financial Statements, but no less than quarterly, and help the Pastor/Minister of Parish Life develop the Parish Budget.

**3.6. Policy** Each Parish School must submit Financial Statements to the Pastor/Minister of Parish Life and Parish Finance Council regularly throughout the fiscal year, but in no case less than once a quarter. Annually, each Parish School must submit to the Pastor/Minister of Parish Life and the Parish Finance Council on or before June 30, the School’s proposed budget for the next year, and on or before July 31, the School’s year-end financial statements.

**3.7. Policy** Members of the Parish Finance Council are permitted to serve as volunteers in other capacities with the Parish [i.e. lectors, ushers, catechists, etc.] if such other role or roles do not create a conflict of interest.

Diocese of San Jose  
Financial Policy Manual

**3.8. Policy** The Pastor/Minister of Parish Life is required to consult with the Parish Finance Council on the following matters:

- 1) Any unbudgeted, undisclosed commitments of Parish resources in excess of \$10,000;
- 2) The management of funds that the Parish is authorized to retain and manage;
- 3) The Annual Financial Reports and Annual Budget of the Parish; and
- 4) The Annual Financial Reports and Annual Budget of the Parish School, if any.

The Parish Finance Council shall assist the Pastor/Minister of Parish Life in reviewing and formulating the Annual Financial Report provided to the Parish community, as required by canon 1287.

Except as provided above, the Pastor/Minister of Parish Life remains the juridical authority of the Parish and is responsible for all final decisions.

## 4- SCHOOL FINANCE COMMITTEE

**4.1. Policy** Each Parish School must have a School Finance Committee that operates according to the regulations set forth by the Diocese. If there is no separately formed School Finance Committee, the Parish Finance Council will act as the School Finance Committee.

**Note:** Drexel Schools must have a School Finance Committee.

**4.2. Policy** Members of the School Finance Committee shall be drawn from the School and Parish community, with a majority who have children currently attending the School, and have some demonstrable skills or expertise in financial management, finance, civil law, general business matters, and education, who are people of impeccable integrity.

**4.3. Policy** The School Finance Committee shall be made up of between three and nine members, not including the Principal, the School office/business manager, the School accountant, and the Pastor/Minister of Parish Life. No School employee or member of the immediate family of a School employee may serve on the School Finance Committee. No members of the School Finance Committee shall be related to the Principal or Pastor/Minister of Parish Life.

**4.4. Policy** Members of the School Finance Committee shall be appointed by the Principal for a fixed term of three years and may not serve more than two consecutive terms. Members may be terminated by the Principal or the Pastor/Minister of Parish Life “at will.”

**4.5. Policy** Each School Finance Committee will regularly review the School Financial Statements, but no less than quarterly, and develop the School Budget.

**4.6. Policy** The School Finance Committee shall ensure the Parish School submits Financial Statements to the Pastor/Minister of Parish Life and Parish Finance Council regularly throughout the fiscal year, but in no case less than once a quarter, and annually, the School’s year-end financial statements and proposed budget for the next year.

**4.7. Policy** Members of the School Finance Committee are permitted to serve as volunteers in other capacities with the School [i.e. coaches, yard supervisors, etc.] if such other role or roles do not create a conflict of interest.



Diocese of San Jose  
Financial Policy Manual

**4.8. Policy** The Principal of each Parish School shall consult with the School Finance Committee on the following matters:

- 1) Any unbudgeted, undisclosed commitment of School resources in excess of \$10,000;
- 2) The management of funds that the School is authorized to retain and manage; and
- 3) The Annual Financial Reports and Annual Budget of the School.

The School Finance Committee shall assist the Principal in reviewing and formulating the Annual Financial Report provided to the School community.

The Principal shall present the School Finance Committee recommendations for committing school resources in excess of \$10,000 to the Pastor/Minister of Parish Life, who remains the juridical authority for final decision.

**Note:** Drexel School Principal shall present School Finance Committee recommendations for committing school resources in excess of \$10,000 to the Drexel Board.

## 5- COLLECTIONS AND CASH HANDLING

### 5.1. Collections

**5.1.1. Policy** A parish representative, other than a member of the Count Team, shall place a sufficient amount of tamper-proof pre-numbered plastic bags (“Collection Bags”) in the church prior to church services to ensure that one Collection Bag can be used for each collection taken during the church services that day. Collection Bags are to be numbered sequentially in a Collection Bag Log, “Exhibit D”. If any Collection Bags are not in sequence or any Collection Bags are missing, an investigation shall be undertaken to determine what happened and a written report of the findings immediately provided to the Pastor/Minister of Parish Life.

**5.1.2. Policy** All Collections shall be in the stewardship of two not related persons and handled as follows:

- 1) After being taken, the Collection shall be placed into a Collection Bag either when the Collection is completed or immediately after the Collection is removed from the altar;
- 2) The Collection Bag shall be sealed;
- 3) The Collection Bag shall be signed and dated by the person who placed the collection into the Collection Bag and at least one witness;
- 4) The Collection Bag shall immediately be placed into a locked safe; and
- 5) Notify the Count Team in writing of any missing or out-of-sequence Collection Bags.

Any person who performs any of the above duties shall not be a member of the Count Team. Once a Collection Bag has been sealed, it shall not be opened for any reason, including, but not limited to, adding additional amounts to the collection.

**5.1.3. Policy** Access to the locked safe in which Collections are placed shall be limited to as few people as is practical and based on “need to access.” If the locked safe is not located in Church, at least two people shall accompany transporting the Collections Bags to the safe.

**5.1.4. Policy** Collection Bags must remain in the locked safe until removed for purpose of counting and deposit. Only persons appointed by the Pastor/Minister of Parish Life shall remove Collection Bags from the safe. No fewer than two people, who are not related and excluding the parish representative who places collection bags in the church, must be present when the locked safe is opened and the Collection Bags removed and transported to be counted.

**5.1.5. Policy** Storing, handling and transporting money presents opportunities for theft as well potential danger to the people involved therein. It is highly recommended that money be stored in secure safes and that the areas where cash is stored, handled or counted have security cameras placed that can record activity and immediately transmit the images to off-site storage.

**5.1.6. Policy** No fewer than two members of the Count Team shall be present when Collection Bags are opened and money counted. No member of the Count Team shall be an usher, a distributor of Collection Bags, record Collections in QuickBooks, or have check writing authority.

Diocese of San Jose  
Financial Policy Manual

**5.1.7. Policy** The Count Team shall keep a log of each Collection Bag, whether utilized or not. The Count Team's log shall be compared to the signatures of the people who sealed the Collection Bag and placed it in the safe. Missing or out of numerical sequence Collection Bags must be immediately investigated to determine the reason. A written report shall be immediately provided to the Pastor/Minister Of Parish Life if the reason cannot be determined or if the reason might suggest theft.

**5.1.8. Policy** All Cash shall be counted by two people separately and the totals compared to ensure they match. If the counts do not match, the Cash shall be recounted until the totals match.

**5.1.9. Policy** Cash shall not be removed from a Collection Bag except to be counted and deposited. "Separate funds," including petty cash, are not to be established or restored from any Collection. Checks may not be exchanged for cash from any Collection. [This prohibits someone from issuing a check to the Parish for an amount and receiving back from the Collection Cash in an amount equal to or less than the amount of the Check being cashed.]

**5.1.10. Policy** All sums in a Collection Bag are to be deposited into the Parish Bank Account. If a portion or all of a particular Collection has been made with specific donor restriction, that restriction shall be recorded and identified for that Collection.

**5.1.11. Policy** Once placed in a Collection Bag, checks are not to be removed from the Collection Bag until counted. All checks shall be endorsed with a preapproved endorsement stamp before being deposited in the Parish bank account.

**5.1.12. Policy** The Count Team shall create a Collection Tally of each Collection. The Collection Tally is a log that includes the following information for each Collection Bag:

- 1) The date, time and purpose of the Collection;
- 2) The total amount counted; and
- 3) The signatures of two member of the count team verifying the accuracy of the total amount counted.

All entries in the Collection Tally shall be in non-erasable ink.

**5.1.13. Policy** It is vital that the safety of anyone involved in the handling or depositing of money be considered at all times. No parish employee or volunteer should ever be asked to handle or deposit money if it will unnecessarily expose them to danger. Accordingly, night deposits are to be carefully considered before being authorized.

**5.1.14. Policy** After a Collection is counted, all sums shall be deposited in the bank or placed in a safe for pick-up by an armored courier service. Deposit slips shall be prepared and signed by two members of the Count Team who agree on the total amount being deposited.

**5.1.15. Policy** Whenever a bank deposit is made, at least two unrelated persons must be involved. The person who accounts for Collections is prohibited from making any deposits.

**5.1.16. Policy** The Diocese suggests that Parish's consider using an armored car service to transport money to the bank. This reduces the exposure of parish volunteers and employees to robbery. If an armored courier services is used, the Parish must have an approved safe to hold money until collected and hire a reputable armored courier service.

**5.1.17. Policy** If the Collection Tally and the amounts deposited do not reconcile, as soon as is practical, the Parish bookkeeper or administrator is required to investigate the matter, determine the reason(s), and immediately make a written report to the Pastor/Minister of Parish Life.

## 5.2 Cash Handling

**5.2.1. Policy** A parish or school representative, will provide tamper-proof pre-numbered plastic bags for parish, school or auxiliary organizations to secure cash received. They will ensure the bag numbers are in numerical sequence and note any missing numbers. A simple log must be used and signed by the person who performs this duty.

**5.2.2. Policy** All cash must be placed in tamper-proof pre-numbered bags. Once cash is received, two or more persons place the cash in the bag. Each bag must be sealed and tested to ensure cash security. Each bag must be signed by two persons who witnessed the secure seal.

**5.2.3. Policy** Cash must be locked in a parish or school safe after securely sealed. Access to the safe shall be limited to as few persons as is practical. When cash must be moved at least two persons must transport the funds to the safe.

**5.2.4. Policy** Cash is to remain locked in the safe until at least two counters arrive, which is the minimum of persons required to open bags and count cash. Anyone who distributed the bags, accounts for collections or has check writing authority is prohibited from opening or counting cash.

**5.2.5. Policy** The cash counters are to keep a log of the numerical sequence of the bags. This log is to be compared to the log made up by the person who dispersed the bags. Any missing bag numbers and out of sequence situations will be researched by the cash counters at the time of counting.

**5.2.6. Policy** The bags must not be opened to "add" a check or envelope or for any other reason.

**5.2.7. Policy** Cash must not be removed from the count before it is deposited. Cash must be deposited at the bank intact and recorded per donor intent. "Separate funds," including petty cash, are not to be established or restored from any cash count. Checks may not be exchanged for cash from any cash handling process.

**5.2.8. Policy** Checks are to be secured in the bag until counted, then endorsed before deposited.

**5.2.9. Policy** The cash counters create a cash tally with total amount in non-erasable ink. Each tally must be signed by two counters who agree on the total amount. Deposit slips must be signed by two counters who agree on the deposit total amount. The bookkeeper or administrator is to investigate any variances between tallies and deposits.

**5.2.10. Policy** Bank deposit must be made after the cash is counted. At least two unrelated persons must transport the money to the bank. Anyone who records cash in QuickBooks is prohibited from depositing cash.

### 5.3 Other Receipts

**5.3.1. Policy** Each parish and school must have a written policy documenting the processing of receipts.

**5.3.2. Policy** Funds received during the week (other than collections and cash handling) must be recorded in a way that the person who accounts for receipts can verify the amounts from a receipt book with the original given to the individual, or, electronically. The bookkeeper or administrator is to investigate any variances between receipts and deposits.

**5.3.3. Policy** Checks must be restrictively endorsed upon receipt and all receipts must be locked in a parish or school safe as soon as received.

**5.3.4. Policy** Cash must not be removed from receipts before deposited. Cash must be deposited at the bank intact and recorded per donor intent. "Separate funds," including petty cash, are not to be established or restored from any cash count. Checks may not be exchanged for cash from other receipts.

**5.3.5. Policy** Bank deposit must be made after the receipts are counted. At least two unrelated persons must transport the money to the bank. Anyone who records other receipts in QuickBooks is prohibited from depositing receipts.

## 6- BUDGET AND FINANCIAL REPORTS

### 6.1 Budget

**6.1.1. Policy** A Budget is a report listing the anticipated revenues and expenses for the subsequent fiscal year (“Budget”). A Budget shall have enough detail to provide those who are required to rely on it, such as the Pastor/Minister of Parish Life, the Parish Finance Council, and other persons assisting in the management of the Parish, with sufficient information so they can prudently make financial decisions. The purpose of the Budget is to provide guidance in the handling Parish financial affairs.

**6.1.2. Policy** Each Parish and cost center within a Parish [i.e. School, gift shop, etc.] is required to prepare an annual Budget. The Budget must be completed and submitted for review by the Parish Finance Council no later than May 31 of the current fiscal year and approved by the Parish Finance Council by no later than June 15.

**6.1.3. Policy** All planned capital improvements require a one-year and five-year capital Budget that includes a list of all existing and anticipated sources of funds that will be used to pay for the capital improvements.

**6.1.4. Policy** School Budgets must be approved by the School Finance Committee and then submitted to the Parish Finance Council for final approval.

**6.1.5. Policy** All Budgets are required to be balanced or show a surplus. If it is not possible to submit and approve a Balanced Budget, the source of funds needed to make-up the deficit (e.g. savings, loans) must be identified and submitted to the Parish Finance Council and approved by the Pastor/Minister of Parish Life. If the Budget shows a deficit of more than \$10,000, a written report shall be submitted to the Diocesan CFO no later than June 20 of the fiscal year preceding the Deficit Budget.

**6.1.6. Policy** The Pastor/Minister of Parish Life, after consulting with the Parish Finance Council, is responsible for approving all Budgets.

**6.1.7. Policy** With the exception of the Drexel Schools, the Diocesan Finance Office and Department of Education will only accept school budgets that have been copied to or sent from the Pastor/Minister of Parish Life’s DSJ email account.

**Note:** The Drexel Board is responsible for approving all Drexel School Budgets.

**6.1.8. Policy** If the parish or school has a fiscal year deficit, the Pastor/Minister of Parish Life will sign and send a letter to the Diocesan CFO no later than July 31 explaining why the budget was in deficit, and what steps were taken to avoid a deficit in the upcoming fiscal year.

## 6.2 Financial Reports

**6.2.1. Policy** Financial Reports shall be submitted monthly to the Pastor/Minister of Parish Life and the Parish Finance Council. Monthly reports shall be submitted no later than 30 days after the end of the reported period. The Financial Reports shall include a profit and loss statement and a balance sheet.

**6.2.2. Policy** Financial Reports must be prepared on a cumulative year-to-date basis and compare actual revenues and expenses to budgeted amounts and prior year-to-date amounts. Any significant differences from the Budget and any unbudgeted items shall be explained. The balance sheet report must include beginning and ending cash balances.

**6.2.3. Policy** All Parish organizations shall prepare an annual financial report for each fiscal year [all end June 30] and submit it to the Pastor/Minister of Parish Life and the Parish Finance Council by no later than July 31 of each year.

**6.2.4. Policy** All Parish Financial Reports and supporting records, as well as those of all Parish Organizations are subject to review and examination by the Parish Finance Council at their discretion.

## 7 - FIXED ASSET CAPITALIZATION

**7.1. Policy** The policy of the Diocese is to capitalize fixed assets that have a useful life of more than one year, and the acquisition cost (see definition below) or manufactured cost (see definition below) of the asset is \$5,000 or more. Fixed assets are capitalized when the asset is purchased, built, or leased. Multiple assets acquired in one transaction whose individual cost is less than \$5,000 but in aggregate cost more than \$25,000 are also capitalized. Assets capitalized by the Diocese are referred to as Capital Assets.

**7.2. Policy** All Capital Assets shall be recorded on the Fixed Asset Ledger of the entity involved [i.e. Diocese, Parish, School, etc.] and identified with a control number for tracking purposes.

**7.3. Policy** Acquisition Cost is the net invoice price of the asset including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the asset operable plus charges such as the cost of installation, transportation, taxes, duty, or in-transit insurance.

**7.4. Policy** Manufactured cost is the cost to assemble, manufacture, and/or program and item using purchased materials, and in-house machinery, tools, or labor. The agency manufacturing the assets must receive the approval of the Diocesan CFO to capitalize a manufactured asset.

**7.5. Policy** Subsequent additions, alterations and renovations to a Capital Asset are capitalized only when these costs are at least \$5,000 and constitute an asset improvement. Improvements appreciably prolong the life of the asset, materially increase its value, or adapt it to a different use. An example of an improvement is replacing the roof on a building. Repairs are expenditures that keep the asset in ordinary efficient operating condition. A repair does not add to the value or prolong the life of the asset. An example of a repair is fixing a hole in the roof. All repair is expensed to the appropriate account in the year incurred.

**7.6. Policy** Purchased software or software development is generally considered a Capital Asset. Costs associated with software maintenance and customer support are usually considered expense items and are not be capitalized.

**7.7. Policy** Donated Assets are covered by this policy. If a Donated Asset is considered a Capital Asset, the recorded value of the asset will be the fair market value of the asset at the date of the gift. Generally, the fair market value is the price the item or a comparable item would be sold at retail, taking into account the age and condition of the property on the date of the gift.

**7.8. Policy** All fixed assets, except Land, are to be depreciated on a straight-line basis once placed in service. Expenses incurred before the asset is placed in service must be capitalized and segregated as construction-in-progress on the balance sheet. Once the capital asset is placed in service, the cost is to be capitalized by depreciable life category and depreciated.



Diocese of San Jose  
Financial Policy Manual

**Note:** Assets are depreciated over a period of time referred to as the depreciable life. The following is a table that should assist you in making this determination. Any final decision should be made with input from the Diocesan Office of Financial Services.

<u>Category</u>	<u>Depreciable Life</u>
Land	Not Depreciable
Land Improvements (fences, driveways)	15 years
Office Furniture, Fixtures, Equipment	5 years
IT equipment and accessories	3 years
Computer Software	3 years
Vehicles	5 years
Residential Buildings	30 years
Residential Improvements	15 years
Commercial Buildings	30 years
Commercial Improvements	15 years
Parish/School Buildings	30 years
Parish/School Improvements	15 years
Leasehold Improvements	Remaining Lease
All Other	3 years

**7.9. Policy** Assets are retired from the fixed asset ledger when it has been determined that the asset is no longer operable, has been replaced, has been sold, or is no longer available for use. The net fixed value of the assets [acquisition/manufacturing cost less accumulated depreciation] at that time must be accounted for as a gain/loss.

## 8 - ALLOWANCE, PROVISION, REIMBURSEMENT, AND LOAN POLICY - CLERGY

**8.1. Policy** Payment of sums to clergy, for expenditures incurred for the benefit of the parish, will be made in accordance with this policy.

**Note:** This policy is to cover authorized classes of expenditures only where direct payment to the vendor is not possible or impractical. The payments are to be made in the form of allowance, provision or reimbursements.

### **Definitions:**

**Allowance:** An allowance is an amount paid when no proof is required as to how the amount is spent such as a car allowance for the regular use of an individual's vehicle for parish or school purposes.

**Provision:** A provision is when a good or service is provided to the recipient without a direct cash payment, such as meals or lodging.

**Reimbursement:** A reimbursement is an amount paid to someone who has or will spend that amount from their own funds for the benefit of the parish or school.

**8.2. Policy** Allowances require the prior approval of the Vicar for Clergy in the case of clergy.

**8.3. Policy** All allowances are to be paid via the Diocesan Payroll Office. Allowances may be taxable in accordance with IRS rules.

**8.4. Policy** Provisions such as lodging or meals are covered under the clergy remuneration's parsonage provision.

**8.5. Policy** Reimbursement of expenditures made on behalf of the parish can be made if the following administrative guidelines are followed:

- 1) The expenditure has been specifically authorized in advance by the Pastor/Minister of Parish Life;
- 2) Detailed receipt is presented at the time that the reimbursement is requested;
- 3) An explanation of the nature of the expenditure and the reason that it could not be billed directly to the parish/school accompanies the request;
- 4) All requests for reimbursement will be reviewed and initialed by the Pastor/Minister of Parish Life, except in the case of reimbursement to the Pastor/Minister of Parish Life, which will be reviewed and initialed by the parish bookkeeper or parochial vicar if one is assigned to the parish;
- 5) There is no conflicting relationship between the person requesting the reimbursement and the person / business providing the goods or services; and
- 6) All reimbursements are subject to audit by the parish finance council.

**8.6. Policy** Meals will be reimbursed for each parish priest per clergy policy meal expense rates, which must be budgeted by the parish.

Diocese of San Jose  
Financial Policy Manual

**8.7. Policy** Purchase of non-food household items such as cleaning and laundry supplies will be reimbursed as is reasonable.

**8.8. Policy** Partial reimbursement for personal cell phone costs, if they are used to provide better contact with the parish office, diocese, or between parish clergy, will be made per guidelines set by the Vicar of Clergy.

**8.9. Policy** All payments to employees, except for minimum petty cash payouts, shall be made by check or direct deposit.

**8.10. Policy** All loans to priests will be through the Employee Assistance Loan Program, administered by the Diocesan Finance Office.

## 9 - ALLOWANCE, PROVISION, REIMBURSEMENT, AND LOAN POLICY – RELIGIOUS AND LAITY

**9.1. Policy** Payment of sums to religious and laity for expenditures incurred for the benefit of the parish and school will be made in accordance with this policy.

**Note:** This policy is to cover authorized classes of expenditures only where direct payment to the vendor is not possible or impractical. The payments are to be made in the form of allowances, provisions and reimbursements.

### **Definitions:**

**Allowance:** An allowance is an amount paid to someone that requires no proof as to how the amount was spent. An example is a car allowance where an individual's vehicle is used regularly for Parish or School purposes.

**Provision:** A provision is a good or service provided to the recipient without a direct cash payment, such as meals or lodging.

**Reimbursement:** A reimbursement is an amount paid to someone who has or will spend that amount from their own funds for the benefit of the Parish or School.

**9.2. Policy** Pastors/Ministers of Parish Life are strongly discouraged from permitting the laity to incur expenses for which they seek reimbursement if direct payment to the vendor is possible and practical. All reimbursements are to be made in accordance with this policy.

**9.3. Policy** Allowances require the prior written approval of the Diocesan Controller.

**9.4. Policy** All allowances are to be paid by the Diocesan Payroll Office and may be taxable under IRS rules.

**9.5. Policy** Provisions, such as meals or occasional use of a parish/school vehicle, are permitted at the discretion of the Pastor/Minister of Parish Life if the Provision is for the benefit of the Parish, School, or a Parish Organization.

**9.6. Policy** Reimbursements are permitted if the following administrative guidelines are followed:

- 1) The expenditure has been specifically authorized in advance by the Pastor/Minister of Parish Life or Principal;
- 2) A detailed receipt is presented at the time that the reimbursement is requested;
- 3) An explanation of the nature of the expenditure and the reason that it could not be billed directly to the Parish/School accompanies the request;
- 4) The request for Reimbursement is reviewed and approved by the Pastor/Minister of Parish Life or Principal in writing;
- 5) There is no conflicting relationship between the person requesting the reimbursement and the person or business providing the goods or services; and
- 6) All Reimbursements are subject to audit by the Finance Council or Finance Committee.

Diocese of San Jose  
Financial Policy Manual

**9.7. Policy** All Reimbursements in excess of \$500 shall be reported to the Finance Council or Finance Committee at its next meeting following the Reimbursement.

**9.8. Policy** All payments to employees, except for minimum petty cash payouts, shall be made by check or direct deposit.

**9.9. Policy** All loans to employees will be through the Employee Assistance Loan Program, administered by the Diocesan Finance Office.

## 10 - AFFILIATED ORGANIZATIONS

### 10.1 Sponsored Societies

**10.1.1. Policy** A “Sponsored Society” is defined as an organization that is promoted within a Parish to perform certain functions separate and apart from the Parish, including, but not limited to, charitable acts of feeding and clothing the poor, assisting the sick and elderly, and helping the imprisoned.

**10.1.2. Policy** All Sponsored Societies that utilize the national or regional organization’s own tax ID number are required to provide an accounting of their activities to the Pastor/Minister of Parish Life as often as the Pastor/Minister of Parish Life shall request, but no less than annually. At a minimum, Sponsored Societies shall provide the Pastor/Minister of Parish Life with Financial Statements [i.e. an account of all revenues and expenses and a Balance Sheet.] The annual accounting shall be submitted to the Pastor/Minister of Parish Life on or before July 31 of each fiscal year. [Note: The suggested format for a Financial Statement can be obtained from the Diocesan Offices of Financial Services.]

**10.1.3. Policy** All fundraising activities of Sponsored Societies, including one-time and special events, shall be approved in writing by the Pastor/Minister of Parish Life and the appropriate Diocesan office prior to the activity being announced.

### 10.2 Parish or School Organizations

**10.2.1. Policy** Any group, organization, club or Sponsored Society that utilizes the Parish tax ID number must provide an accounting for all revenues and expenses to the Pastor/Minister of Parish Life or Principal, as often as the Pastor/Minister of Parish Life or Principal shall request, but no less than annually.

This policy is applicable to national organizations such as the St. Vincent de Paul Society that utilize the tax ID number of a Parish instead of the national organization’s own tax ID.

**10.2.2. Policy** The corresponding bank accounts must follow Policy 21 – Banking and Savings Regulations.

**10.2.3. Policy** The Pastor/Minister of Parish Life or Principal may determine the parish or school will financially administrate these accounts.

**10.2.4. Policy** Parish or school organizations utilizing the Parish tax ID number shall have their financial activity consolidated in the Parish or School Profit and Loss Statement and Balance Sheet reported in the Parish or School’s Annual Financial Report submitted to the Diocese. [Note: It is highly recommended that the Parish or School retain all original bank statements of parish or school organizations before forwarding a copy to the organization.]

### 10.3 Other Organizations

**10.3.1. Policy** Before any Other Organization that uses its own tax ID number is permitted to solicit money on Parish or School property, the Organization is required (i) to submit a budget to the Pastor/Minister of Parish Life that details the intended use of the proceeds, (ii) agree to provide an accounting of the amount raised, and (iii) obtain the written approval of the Pastor/Minister of Parish Life before the fund raising activity is announced or advertised. Within 14 days of the solicitation activity, the Organization shall provide an accounting to the Pastor/Minister of Parish Life of the funds raised.

**10.3.2. Policy** Organizations such as Holy Land Carvers that wish to solicit money on Parish and/or School property must receive written approval from the Diocesan office prior to the activity being announced.

## 11- CHARITABLE FUNDRAISING GAMBLING

**Note:** This policy concerns all activity conducted by Parishes and School of the Diocese that would be considered gambling. California Business & Professions Code §19986 permits eligible nonprofit organizations to use various gambling activities (excluding raffles and bingo, which are legal under different provisions) to further the purposes and mission of the nonprofit organization.

“The Roman Catholic Bishop of San Jose” and “The Roman Catholic Welfare Corporation of San Jose” (collectively the “Diocese of San Jose”), are organizations that qualify under Business & Professions Code §19986 to conduct gambling fundraisers.

**11.1. Policy** The Diocese of San Jose authorizes Parishes and Schools to hold gambling fundraisers if they agree to comply with all legal and administrative requirements.

**11.2. Requirements:** The following is a partial list of the general requirements to conduct a legal gambling fundraiser:

- 1) Register with Bureau of Gambling Control;
- 2) Obtain prior approval from local law enforcement;
- 3) Conduct games in accordance with the law; and
- 4) Maintain records and submit reports as required.

This list is not exhaustive. More details of the requirements can be found at: <http://ag.ca.gov/gambling/charitable.php>. If you have questions or are unsure of what is required, contact the Diocesan Finance Office.

Documents requested for registration are The Diocese of San Jose’s 501c3 Documentation (the Group Ruling Letter, Group Memo and Official Catholic Directory) and Exempt Determination Letters which can be found here: <http://www.dsj.org/dsj-resources/>.

**11.3. Policy** All money received and paid-out for gambling activities must be kept in a separate bank account and cannot be co-mingled with the general operating funds of the Parish or School. All other Diocesan Policies regarding banks accounts apply.

**11.4. Policy** The purpose of the gambling fundraiser and the intended use of any proceeds (net of expenses and payouts) must be clearly designated in any published materials used in conjunction with and to promote the fundraising gambling activity. Both the form and purposes of the fundraising gambling activity must be approved in writing by the Pastor/Minister of Parish Life prior to its announcement. The Pastor/Minister of Parish Life shall retain a copy of the written approval for parish records.

**11.5. Policy** A Budget for the fundraising gambling activity must be submitted to the Pastor/Minister of Parish Life prior to commencement of the event setting forth the anticipated revenues, projected promotional and administrative expenses, and the expected payout. A Financial Report that details all revenues and expenses of the fundraising gambling activity must be provided to the Pastor/Minister of Parish Life no more than 30 days after the completion of the activity. The Financial Report of the fundraising gambling activity shall be included in summary form as part of the sponsoring organization's annual report.



Diocese of San Jose  
Financial Policy Manual

**11.6. Policy** Winnings to contestants, which are subject to withholding tax, shall have the appropriate taxes withheld and deducted from the winning payment.

**11.7. Policy** The Office of Financial Services assists Parishes and Schools prepare and file the necessary contestant winnings reports with the IRS and provide the contestant winner necessary income tax reporting form(s).

**11.8. Policy** Diocesan raffles are to be managed in compliance with Memorandum from John Ottoboni “**Exhibit E**”. Please contact the Office of Financial Services with questions.

## 12- FINANCIAL VOLUNTEERS

**Note:** This policy covers the internal controls required to safeguard Parish resources when non-paid volunteer duties will involve the care, custody, or control of cash or inventory that belongs to the Parish or its School.

**Definition:**

Financial Volunteer: Any person who volunteers his/her time without monetary compensation whose duties will include responsibilities over monies or inventory belonging to the parish/school.

Cash: Currency of the United States.

Cash Equivalents: Checks, credit card receipts, or inventory such as scrip

Religious Merchandise: Religious or logoed items available for sale at the church, office or school

Registered Parishioner: A person who is a registered, active member of the parish.

School parent: A parent, grand-parent or adult sibling of a registered student of the school.

**12.1. Policy** The Pastor/Minister of Parish Life shall be responsible for identifying all activities in which a volunteer will become responsible for the collection, recording and/or transporting of Cash or Cash Equivalents. Examples of such activities include weekly and special collections, scrip sales, or fundraising. Financial volunteers include the following Ushers, members of the Count Team, cashiers at festivals, and scrip sales personnel.

**12.2. Policy** One person shall be designated as the responsible party for each function. The responsible party shall assure that all Cash and Cash Equivalents, generated or received by the function has been secured in a place designated by the Pastor/Minister of Parish Life. Examples of people who act as the responsible party for a function include a chief usher, count team lead, and head cashier for a festival. All responsible parties must be appointed by the Pastor/Minister of Parish Life and must be registered parishioners, or in the case of Schools, a parent of a student attending the School.

**12.3. Policy** Financial volunteers shall be fingerprinted and follow parish or school instructions while performing their volunteer duties.

## 13 - FUNDRAISING ACTIVITIES

**13.1. Policy** The underlying purpose of all fundraising appeals must be consistent with the teachings of the Catholic Faith and should strive to motivate the faithful to a greater love of God and neighbor. Consequently all such activities are expected to and must be truthful and forthright.

**13.2. Policy** Fundraising efforts are to be for specific defined needs.

**13.3. Policy** The relationship of trust between donor and fundraiser requires that:

- 1) Funds collected be used for their intended purposes; and
- 2) Fundraising costs not be excessive and kept to a minimum.

**13.4. Policy** Donors shall be informed of the intended use of donated funds. Restrictions on the use of the funds by the donor must be honored. If the donor's intent becomes impossible or impractical to honor, the matter shall be referred to the Diocesan Offices.

**13.5. Policy** Generally the Diocese will approve the fundraising activities for ordinary operations by entities listed in the most recent edition of the *Official Catholic Directory*, published annually by P.J. Kenedy & Sons. If such outside entities wish to preach to the congregation, even if no direct solicitation of money is made, this must be approved in writing at least one month in advance by the Vicar General.

**13.6. Policy** Any request by an entity not listed in the *Official Catholic Directory* to solicit funds must be approved by the Vicar General in writing at least one week before the solicitation is announced and conducted. The Diocese reserves the right to assert title to any funds collected in violation of this policy.

**13.7. Policy** Any request made to a Parish to solicit funds for capital campaigns or extraordinary fundraising appeals must be first reviewed by the Pastor/Minister of Parish Life and then if the Pastor/Minister of Parish Life approves, be submitted to the Vicar General and approved in writing at least one week prior to the solicitation.

**13.8. Policy** All capital projects by a Parish are to be conducted according to Diocesan policy.

**13.9. Policy** Request to raise funds are to be submitted to the Pastor/Minister of Parish Life in writing with, at a minimum, the following information:

- 1) A detailed explanation of the purpose for which the funds are being raised;
- 2) The timeframe the fundraising activities will be conducted;
- 3) The methods to be used to raise funds; and
- 4) A budget for the fundraising activities that details (i) the expected receipts and (ii) the estimated costs.

Diocese of San Jose  
Financial Policy Manual

**13.10. Policy** The Pastor/Minister of Parish Life is responsible for the oversight of all fundraising programs conducted at the Parish. As part of the agreement to solicit funds at a Parish, the organization conducting the fundraising must agree to provide Financial Reports to the Pastor/Minister of Parish Life or their designee on a regular basis but no less than quarterly.

**13.11. Policy** The Financial Reports provided to the Pastor/Minister of Parish Life or their designee by the organization conducting the fundraiser shall provide, at a minimum, the amount of money raised, the costs associated with the fundraising activity [i.e. printing, travel, manufacturing, etc.], the amount expended for the stated purpose [identifying by name each payee], any amount retained by the fund raising organization, and a statement of how the funds collected were used to accomplish the promised apostolic purpose of the solicitation.

**13.12. Policy** As one of the terms of an agreement to be permitted to solicit funds at a Parish, the fundraising organization must agree to return to the Parish all funds in excess of the expenses and disbursements related to the stated purpose of the fundraiser, except that with written approval of the Pastor/Minister of Parish Life and Diocesan CFO, excess funds may be retained by the fundraising organization provided they have provided a satisfactory explanation of the reason for this retention and a specific plan and date for disbursement.

**13.13. Policy** All Financial Reports of fundraising activities conducted at a Parish are to be maintained by the Parish and be available for audit for three (3) years following the date of the fundraiser and a copy provided to the Diocese as part of the Parish's annual report.

**13.14. Policy** If professional fundraisers are used as part of any fundraising, their identity as well as all of their costs and fees charged for the fundraising shall be disclosed to any donor on their request.

## 14 - STIPENDS AND MASS INTENTIONS

### Definitions:

Stipend: is the amount of money received by the priest on occasion of the exercise of his priestly ministry by celebrating a sacrament or sacramental.

Offering: is the gift, usually in the form of money, freely or gratuitously given by the faithful primarily out of their concern for the Church or her ministers and their desire to support its mission given on the occasion of the celebration of a sacrament or sacramental.

**14.1. Policy** Canon law 945 states that any priest who celebrates or concelebrates a Mass may accept an offering to apply the Mass for a specific intention. Priests who dedicate themselves to ecclesiastical ministry deserve remuneration and have a right to it. Consistent with norms of law, priests who have assignment from the Bishop of San Jose receive, among other types of compensation, a salary as part of their sustenance. It is the policy of the Diocese of San Jose to pay priests in such a way that their daily sustenance does not depend on the offerings made by the faithful for the celebration and administration of the sacraments. Stipends are not provided for the personal enrichment of the priest.

**14.2. Policy** Specific details of the Bishop's directive on Stipends and Mass Intentions are contained in the Clergy Personnel Policy. These directives must be followed by all priests.

**14.3. Policy** If a parish or institution of the Diocese of San Jose serves as an agent in the collecting from members of the faithful an offering or stipend that is designated for priest, all such amounts are to be paid to the priest through the diocesan payroll system.

**14.4. Policy** All offerings received on the occasion of funerals and the administration of the Sacraments of Baptism and Marriage, as well as sacramentals, belong to the parish and must be given by the priest to the parish bookkeeper. A stipend may be retained by the priest who offers a funeral Mass, or the Mass for the intention of the Bride and Groom, as regulated in the Clergy Personnel Policy and paid through the diocesan payroll system.

**14.5. Policy** Specific instruction for funeral and nuptial Mass offerings are detailed in the Clergy Personnel Policy.

**14.6. Policy** All Souls' Day offerings are equally divided among the parish priests. The parish will accrue the offerings as a liability and release the liability when paying the parish priests by check.

**14.7. Policy** The priest who celebrates a Mass has a right to the stipend given for a Mass intention (canon 945. 1). Other equitable distributions may be made as long as the priests assigned to a parish agree in writing. A copy of the agreement must be sent to the Office of the Vicar for Clergy, and must be renewed annually, at the beginning of the fiscal year with payment through the diocesan payroll system.

**14.8. Policy** Guidelines for parish Mass offerings to non-assigned priest are established by the Vicar for Clergy and are maintained in the Clergy Personnel Policy.

**14.9. Policy** By virtue of his office, a pastor has an obligation to offer Mass for the people (*Missa pro populo*) entrusted to his care each Sunday and holy day of obligation. If he is legitimately prevented from this celebration, he is to apply Mass on these same days through another priest or he himself is to apply it on other days. If the obligation has not been satisfied, the pastor who has not satisfied the obligation to offer the *Missa pro populo* is to apply as many Masses for his people as he has missed as soon as possible (canon 534). It is recommended that parishes not accept Mass Intentions from the faithful on Sundays so that priests can apply their personal intentions and the pastor can fulfill his personal obligation regarding *Missa pro populo*. Furthermore, offerings for Mass intentions that cannot be satisfied within a 12-month period are not to be accepted by a parish or a priest.

**14.10. Policy** Canon 948 states that separate Masses are to be applied for the intentions for which an offering, even if small, has been made and accepted. The practice of taking more than one offering for a single Mass or collective or multiple intentions, while not the norm, is permitted in the Diocese of San Jose with the following specific restrictions:

- 1) The donors of the Mass offerings must be informed and agree to combine their offerings with others in a single Mass;
- 2) The time and place for the celebration are to be made public;
- 3) A parish may not accept Masses for collective intentions more than twice per week; and
- 4) The priest may only keep for himself the amount of the usual offering, the excess is to be given to the Ordinary for the purposes he has specified (canon 950.1): Diocesan Priests' Retirement Fund, or the Society for the Propagation of the Faith.

**14.10.1. Policy** The parish may implement the practice of celebrating Mass for more than one intention with the following guidelines:

- 1) The pastor/minister of parish life will notify the Offices of the Bishop and Vicar for Clergy in writing of their intention, with assurance of compliance with the above conditions;
- 2) The pastor/minister of parish life will publish periodically in the parish bulletin the required notice of the exception of this practice, permission granted, it being done for sake of parishioners, and the priest receives only one offering and where additional offerings are being contributed to;
- 3) The pastor continues to meet his *Missa pro populo* obligation; and
- 4) The pastor/minister of parish life forwards the additional offerings quarterly.

Diocese of San Jose  
Financial Policy Manual

**14.11. Policy** The amount specified as donation for Mass to be celebrated within the Metropolitan Province of San Francisco is \$10 or as set by the Metropolitan. However, no request for a Mass intention may be refused by a priest, even if no offering is made.

If a sum of money is offered for the application of Masses without an indication of the number of Masses to be celebrated, and for monies left in a will or bequest where no specified number of Masses has been indicated, the amount that may be applied is \$20, as specified by the Metropolitan.

A priest may receive or retain an offering larger than the specified amount, as long as said offering is freely and spontaneously given, and not suggested to nor coerced from the donor. No priest is ever allowed to deny a request for Mass or service by any Christian faithful on the basis of their inability to make monetary offering at the time of request. Everyone should have access to the fruits of the Mass regardless of their ability to make an offering.

**14.12. Policy** A priest who celebrates several Masses on the same day can apply each to the intention for which the offering was given, but subject to the rule that, except on Christmas, he is to keep an offering for only one Mass and transfer the others to the purposes prescribed by the ordinary: the support of the Diocesan Seminarians, parish projects for feeding the poor, the work of St. Vincent de Paul Society, the Society for the Propagation of the Faith, or any Order of Institute of Missionaries, home or foreign. (canon 951 §1) The priest shall receive the sum of money offered for the first mass celebrated.

A priest who concelebrates a second Mass on the same day cannot accept an offering for it. (canon 951 §2)

## 15 - SCRIP

**Note:** A Parish, school or related organizations is permitted to enter into a merchandise discount, gift, or grocery certificate program to raise funds for operations. Such programs are often referred to as “Scrip.” A Scrip program may not be started until the Pastor/Minister of Parish Life approves it in writing.

**15.1. Policy** Scrip certificates are purchased at a discount from participating merchants or their agent and sold at face value to the parishioners. The Parish/School earns the amount equal to the discount in the Scrip certificates.

**15.2. Policy** In order to provide an audit trail, all purchases of Scrip certificates must be made by check.

**15.3. Policy** A minimum of 85% of the hours required to administer a Scrip program must be accomplished by uncompensated volunteers.

**15.4. Policy** Parishioners are to be notified in advance that their purchase of Scrip certificates are not tax deductible for federal or state tax purposes on their Federal or State Income Tax Return.

**15.5. Policy** Purchasers of Scrip certificates are not to be given any credit toward school tuition or fundraising fees based on their purchase of Scrip certificates.

**15.6. Policy** A separate bank account must be maintained for all Scrip activities.

**15.7. Policy** Scrip certificates are to be treated as cash and stored in a suitable secure facility.

**15.8. Policy** An inventory of Scrip certificates must be taken at least monthly. Any shortages shall be reported immediately to the Pastor/Minister of Parish Life and the Pastor/Minister of Parish Life shall immediately conduct an investigation and report the findings to the Parish Finance Council.

**15.9. Policy** Before any Scrip volunteer is permitted to have individual access to unsold Scrip certificates, they must successfully complete a background check.

**15.10. Policy** Volunteers are not permitted to take Scrip certificates home for any purpose, including delivery to purchasers. Scrip certificates may only be delivered to the purchaser at the Parish or School. Scrip certificates may not be sold on credit without the Pastor/Minister of Parish Life's express prior written approval.

**15.11. Policy** Scrip certificate inventory must be maintained at a reasonable level based on sales.



Diocese of San Jose  
Financial Policy Manual

**15.12. Policy** Financial Reports for the Scrip program must be generated monthly and reviewed by the Pastor/Minister of Parish Life and/or his delegate.

**15.13. Policy** A summary report of Scrip activity is to be included in the Parish's annual Financial Report.

## 16 - USE OF PARISH AND/OR SCHOOL FACILITIES

This policy covers the use of Parish and School facilities and the allocation of the cost associated with said use by Parish and non-parish groups.

**16.1. Policy** The cost associated with maintaining facilities that are used by both a Parish and a School (i.e. gyms, meeting space, etc.) are to be shared based on a formula agreed to by both the Pastor/Minister of Parish Life and School Principal. The parish finance council and school finance committee shall review and approve the formula. Nothing herein shall diminish the authority and responsibility of the Pastor/Minister of Parish Life.

**16.2. Policy** The formula allocating costs associated with use of facilities shall attempt to fairly allocate the actual cost incurred by each user, including the percentage of the facility actually utilized and added burden based on the type of use.

**16.3. Policy** If the Pastor/Minister of Parish Life and the School Principal cannot agree on a formula, the matter shall be referred to the Diocesan Chief Financial Officer.

**16.4. Policy** All non-parish groups that wish to use any Parish or School facilities shall complete and submit to the Diocesan Office of Financial Services the appropriate diocesan User Agreement. In addition, the non-parish group must obtain or have the corresponding insurance and file a Certificate of Insurance with the Diocesan Office of Financial Services.

**16.5. Policy** All User Agreements must be reviewed and approved in writing by the Diocesan Chief Financial Officer prior to the facility being used by the non-parish group.

**16.6. Policy** Unless the non-parish group user is engaged in an activity that the Pastor/Minister of Parish Life considers evangelical or community outreach in nature, the fees charged for the use of Parish or School facilities should be set at market rates. If the Parish or School is unable to determine the market rate, they should refer the matter to the Diocesan Chief Financial Officer.

## 17 - SELLING ITEMS ON PARISH OR SCHOOL GROUNDS

Parishes are often requested by agents of various charitable organizations from places such as the Holy Land, the Philippines, Mexico, and Vietnam, to sell items such as rosaries and statues outside of Church after Masses or at the School. This policy covers the requirements that must be met by these organizations before they are permitted to sell anything on Parish/School grounds.

**17.1. Policy** Any group that contacts a Parish or School requesting permission to sell anything on Parish property is required to obtain written permission from the Diocesan Controller or the Vicar General before they are permitted to sell anything.

**17.2. Policy** Any organization selling anything on Parish property is required to be a non-profit entity that has been approved by the Internal Revenue Service and to have a valid California Seller's Permit.

**Note:** These rules are required to avoid jeopardizing the diocesan, parish and school tax exempt status. Loss of tax exempt status would significantly add to the expense of operating the diocese, parishes and schools.

## **18 - PURCHASES OF GOODS AND SERVICES, DISBURSEMENTS, AND USE OF CREDIT CARDS**

**18.1. Policy** All purchases that exceed \$10,000 require the prior written approval of the Diocesan Chief Financial Officer.

**18.2. Policy** All Disbursements are to be made with pre-numbered checks except as noted below.

**18.3. Policy** The person who prepares a check must be different from the person who signs the check. The person who signs the check may never be the person to whom the check is made out to.

**18.4. Policy** Checks in excess of \$5,000 must bear two signatures.

**18.5. Policy** All invoices must be reviewed and initialed by the Pastor/Minister of Parish Life, Principal or appropriate delegate before payment.

**18.6. Policy** Purchases of goods and services with credit cards shall be limited to emergencies or to those items or activities for which payment by check is not practical (i.e., travel, restaurants, supermarkets, etc.)

**18.7. Policy** Receipts must be obtained for all purchases. No reimbursement request is to be paid without proper receipts. Note: A credit card statement is itself NOT a proper receipt. Receipts and credit card statements should both be attached to any request for reimbursement.

**18.8. Policy** A Diocesan credit card is one issued to or sponsored by the Diocese or one of its organizations even though the card may be in the name of an employee (including Pastors or lay employees).

**18.9. Policy** A Parish credit card is one issued to or sponsored by a Parish even though the card may be in the name of an employee (including the Pastor, Priest, or lay employees).

**18.10. Policy** Benefits derived from the use of a Parish credit card should inure to the benefit of the Parish only. Benefits derived from the use of a Diocesan credit card should inure to the benefit of the Diocese only. Benefits derived from the use of a personal credit card should inure to the benefit of the person. Use of personal credit cards for Parish or Diocesan purposes is to be discouraged. Use of personal credit cards for Parish or Diocesan purposes should be generally limited to emergencies or when it not otherwise practical.

**18.11. Policy** Personal expenses may not be charged on a Diocesan or Parish credit card.

Diocese of San Jose  
Financial Policy Manual

**18.12. Policy** If a personal credit card must be used for a Parish or Diocesan purchase, reimbursement may only be paid for that portion of the statement that relates to Parish or Diocesan business. In order to be reimbursed for Parish or Diocesan business expenses, the Parish or Diocesan employees or volunteers must submit a request for personal reimbursement and include a copy of the credit card statement and the original receipt) to the party to whom they seek reimbursement. The individual employee or volunteer is solely responsible for paying their personal credit card statement amount.

**18.13. Policy** Should a Parish or Diocesan organization have its own credit card, billing should be directed to the attention of the card's authorized user at their normal Parish or Diocesan business address. The card's authorized user is responsible for submitting a payment request with the statement and all receipts attached.

**18.14. Policy** Before payment of any credit card bill, the organization's Pastor/Minister of Parish Life, Principal, or in the case of the Chancery, the Diocesan CFO, must authorize the payment by signing the request. If the credit card bill is in the name of a Pastor/Minister of Parish Life, Principal, or Diocesan CFO, the associated Finance Council's or Finance Committee's Chairperson is required to sign the request prior to payment.

**18.15. Policy** Debit cards attached to a Diocesan, Parish or School bank account are not permitted.

**18.16. Policy** Unused checks and accounting records must be kept secured in a safe or locked cabinet. Any exceptions to this policy require approval by the Diocesan CFO.

## 19 – INDEPENDENT CONTRACTORS

**Note:** The laws and regulations defining who qualifies as an Independent Contractor and who will be considered an employee can be complex and depend on the facts of each case. The laws generally favor categorizing someone as an employee. Factors considered are the ability of the person performing the work to determine how it will be accomplished, whether the person performs similar work for other persons or entities, whether the person can delegate the work to other people, if the person is required to be licensed and, if the work requires certain skills, whether the person provides the instruments of the work, the method of payment [hourly versus by the job], and whether the parties believe they are creating an employee-employer relationship or that of Independent Contractor.

IRS has documented the basic rules for classifying an independent contractor. The location should review these rulings to properly classify an independent contractor.

If a location is not sure of the proper classification of an individual as an employee or independent contractor they should contact the Chief Financial Officer of the Diocese to get a proper classification. There can be serious legal implications to a location by classifying an individual as an independent contractor when they are in fact an employee.

**19.1. Policy** The Pastor/Minister of Parish Life or Principal is responsible for ensuring that all Independent Contractors used by a Parish or School comply with the law and that they qualify as Independent Contractors.

**19.2. Policy** Improperly defining a new hire as an Independent Contractor can raise significant legal issues that can result in large penalties, workers compensation claims, and legal cost. The Parish or School should contact the Diocesan Chief Financial Officer or Chancery Controller to determine the proper definition of a planned new hire as an Independent Contractor.

**19.3. Policy** Prior to the start of work, the head management person must obtain a signed W-9 from the Independent Contractor and verify that the Independent Contractor carries liability insurance and Workman's Compensation Insurance for all employees.

**19.4. Policy** All Independent Contractors shall execute a written contract in the form provided by the Diocese for the hiring of Independent Contractors. If the Independent Contractor requires the use of its form contract [such as a building contractor], the contract shall be submitted to the Diocese prior to execution for review. Note: Examples of the services and/or material providers subject to this policy include landscaping, maintenance, contract accounting services, and construction contractors.

**19.5. Policy** All Independent Contractors must be paid through the Diocesan Office of Financial Services Accounts Payable Department to ensure that payments are properly handled and that 1099 forms are prepared at the end of the year.

**19.6. Policy** The Parish or School that hired the Independent Contractor is required to maintain complete records of copies supporting the hire as an Independent Contractor, including but not limited to the W-9, the contract, proof of liability and worker's compensation insurance, and all evidence submitted as proof of Independent Contractor status.

## 20 - AGREEMENTS, CONTRACTS, AND LEASES

**20.1. Policy** As is required under canon 1281, the Bishop of San Jose has set the limits to ordinary administration at the Parish level as follows:

**20.2. Policy** Pastors/Ministers of Parish Life, Principals or heads of agencies may validly enter contracts if:

- 1) The contract is for goods or services with an aggregate value of less than \$10,000; or
- 2) If a lease or personal services agreement has a duration of less than one year and is for less than \$10,000.

**20.3. Policy** All agreements, contracts, or leases that exceed the limits set forth in Policy 20.2 shall be sent to the Diocesan Chief Financial Officer and approved in writing by the Diocesan Attorney-In-Fact prior to execution by the Pastor/Minister of Parish Life, Principal, or Agency Head. Note: Any agreement, contract, or lease that is entered into in violation this policy will be the personal responsibility of the signer, canon 1281 (3).

**20.4. Policy** Capital projects for parishes and schools must follow the 12-step Project Review Protocols set forth in these Policies as “**Exhibit C.**”

## 21 – BANKING AND SAVINGS REGULATIONS

**21.1. Policy** The name on a Parish or School bank account shall be the same as the name on file with the Internal Revenue Service that matches the Federal Employer Identification Number (FEIN). “The Roman Catholic Bishop of San Jose, a Corporation Sole” shall appear in the name as secondary to the name on file with the Internal Revenue Service.

**21.2. Policy** The address of the Parish and School bank accounts shall be the physical address listed in the Kenedy Official Catholic Directory. The diocese suggests the Pastor/Minister of Parish Life, Principal, or appropriate delegate review all bank account statements.

**21.3. Policy** The Diocesan Deposit and Loan System holds savings for Parishes, Schools, and related agencies. No Parish, School or related agency is permitted to deposit excess funds at financial institutions other than the Diocesan Deposit and Loan System or Diocesan Investment Pool.

**21.4. Policy** The interest rates on savings deposits with the Diocesan Deposit and Loan System shall be published by the Diocesan CFO whenever changed and at the start of the fiscal year.

**21.5. Policy** All deposits made with the Diocesan Deposit and Loan System earn interest on a daily basis. Earned interest is posted to the deposit account on a monthly basis.

**21.6. Policy** All deposits made with the Diocesan Deposit and Loan System, and all interest earned thereon, are available for withdrawal at any time upon request of the Pastor/Minister of Parish Life, Principal or Administrator of the Parish or Parish School.

**21.7. Policy** Parishes and schools are authorized to open checking accounts at banks approved by the Diocese to pay for operations. Excess funds must be deposited with the Diocesan Deposit and Loan System. Excess funds are defined as all amounts in excess of the amount needed for 60 days of operations.

**21.8. Policy** Only the Pastor/Minister of Parish Life, administrator, associate pastor, or an appropriate delegate of the Pastor or administrator is to be authorized to sign on Parish checking accounts. The Pastor/Minister of Parish Life must be a signer on all Parish checking accounts.

**21.9. Policy** Only the Pastor/Minister of Parish Life, Principal, associate pastor, or an appropriate local site delegate of the Pastor or administrator is to be authorized to sign on School checking accounts. The Pastor/Minister of Parish Life must be a signer on all School checking accounts.

The Drexel School Principal must be a signer on all Drexel School checking accounts.



Diocese of San Jose  
Financial Policy Manual

**21.10. Policy** All disbursements must be made by pre-numbered check, ACH or petty cash.

**21.11. Policy** Checks greater than \$5,000 must have two signatures.

**21.12. Policy** Checks written to cash are prohibited.

**21.13. Policy** The person who signs the check must not be the person to whom the check is made out.

**21.14. Policy** The person who prepares the check must not be the person who signs the check.

**21.15. Policy** Diocesan and Other Special Collections must be remitted within six weeks of the collection date to the Diocesan Office of Financial Services.

## 22 - ANNUAL REVIEW OF OPERATIONS AND FINANCES

**22.1. Policy** Each Parish and School shall conduct an annual review of their finances following the Annual Financial Report Checklist published by the Diocese Office of Financial Services. The Pastor, Minister of Parish Life, or Principal is responsible for ensuring that the Annual Financial Reporting of the Parish and School is properly prepared and timely submitted to the Chancery Office.

**22.2. Policy** The Parish Finance Council or School Finance Committee [“Finance Council/Committee”] will assign one Finance Council/Committee member to lead the annual review. The final Annual Reports shall be presented to the full Finance Council/Committee and Pastor, Minister of Parish Life, or Principal for approval before being submitted to the Diocese Office of Financial Services. The Pastor, Minister of Parish Life or Principal will sign the Annual Financial Report Checklist verifying that they have read and approved all reports before submitting them to the Diocesan Office of Financial Services. The Finance Council/Committee Chairperson will sign the Annual Financial Report Checklist verifying that the Finance Council has read and approved all reports before submitting them to the Diocesan Office of Financial Services.

**22.3. Policy** If a School does not have a Finance Committee then the Parish Finance Council will be responsible for conducting Policy 22 – Annual Review of Operations and Finances (see 4.1 Policy).

**22.4. Policy** Excluding Drexel Schools, if any, the Pastor/Minister of Parish Life is responsible for all financial transactions that take place under the auspices of the Parish and School. This responsibility also includes all organizations that use the Parish name, Diocesan or Parish Federal Tax ID number and all School organizations that use the School name, Diocesan or Parish Federal Tax ID number.

**22.5. Policy** Any question on the Annual Reports that is answered “No” must be explained fully in the “Explanations/Recommendations” section. The Parish Finance Council or School Committee is responsible for investigating each of these items and, with the assistance of the Pastor/Minister of Parish Life or Principal, initiate the implementation of appropriate corrective measures.

**22.6. Policy** The Office of Financial Services reviews financial compliance [“Financial Review”] of every site at least once every three years or whenever there is a change in the site’s administration [typically a new Pastor, Minister of Parish Life or Principal]. The Diocese uses an independent CPA firm to conduct these Financial Reviews which generates draft and final reports.

**22.7. Policy** The Diocesan Director of Compliance & Parish Financial Services is responsible for preparing the list of locations that will be subject to a Financial Review with input from the CFO of the Diocese, Vicar of Clergy, and the Superintendent of Schools. The Diocesan CFO is responsible for establishing the scope of work and making all arrangements with the CPA firm hired to conduct the Review.

Diocese of San Jose  
Financial Policy Manual

**22.8. Policy** Any Parish or School seeking an exemption from a Financial Review must seek the exemption in writing from the Diocesan CFO at least 60 days before it is due. The exemption from a Financial Review must be in writing signed by the Diocesan CFO.

**22.9. Policy** The Pastor/Minister of Parish Life or School Principal shall review the Financial Review Report, in draft and final form, with the Finance Council or Finance Committee and work with their staff and the Finance Council or Finance Committee to ensure that all items presented in the Financial Review Report that are not compliant are made complaint within a reasonable period of time, but not later than the next Financial Review.

## **23 – PARISH AND SCHOOL ANNUAL FINANCIAL REPORTING REQUIREMENTS**

**23.1. Policy** Each Parish and School is required to submit Annual Financial Reports with supporting documents to the Compliance & Parish Financial Services Office no later than the third Friday in the month of August.

**23.2. Policy** The Annual Financial Reports and Supporting Documents include the following:

- 1) Balance Sheet as of June 30;
- 2) Profit and Loss Statement for the fiscal year ended June 30 with a comparison of the Actual versus the Budget and the Variance;
- 3) Operating Budget for the upcoming fiscal year;
- 4) Additional Financial Information (calculates the amount transferred to the Parish or School account to the Diocesan Deposit and Loan System);
- 5) A Statement identifying by account number and institution all Parish or School Asset Accounts as of June 30 (checking, savings, investments, affiliated organizations);
- 6) Affiliated Organizations (if applicable);
- 7) Parish or School Endowments identified by name;
- 8) Financial Self-Review – See Policy 22 – Review of Operations for the policy related to preparing the Finance Council Self Audit;
- 9) Finance Committee Self Audit – See Policy 22- Review of Operations for the policy related to preparing the Finance Council Self Audit; and
- 10) Pastor/Minister of Parish Life or Principal Representation Letter verifying that all submitted information is accurate, complete and that they will publish an appropriate summary of the Annual Financial Reports to their Community no later than November 30.

**23.3. Policy** The Compliance & Parish Financial Service Office will issue an Annual Financial Report Checklist to each Parish and School no later than June 1 to remind the Pastor/Minister of Parish Life and Principal of their reporting requirements.

## 24 – GIFTS

**24.1. Policy** The Diocese is required to take all reasonable steps to preserve the donor's charitable intentions. Gifts made for a specific purpose may only be utilized for that specific purpose.

**24.2. Policy** The Diocese will adhere to all Internal Revenue Code Regulations concerning gifts, including all applicable provisions of Section 170, which currently requires written acknowledgment of all contributions of \$250 or more and written disclosure when a donor pays more than \$75 partly as a contribution and partly for goods or services.

**24.3. Policy** Any obligations that are made part of a restricted gift must be clear and understood before the gift can be accepted. If a gift is deemed unacceptable because of the restrictions the donor has placed on its use, the donor should be informed immediately and provided the opportunity to remove and/or modify the offensive restriction(s) or revoke the gift.

**24.4. Policy** Not all gifts should be accepted. If a gift is not in the best interest of the mission or ministry of the Catholic Church and the Diocese, is from a questionable source (i.e. a criminal enterprise), will require the Diocese to accept responsibilities, financial or otherwise, that it may not be capable of meeting, creates excessive reporting responsibilities, creates a conflict of interest, could damage the reputation of the Diocese, or contains a perpetual condition that is more specific than the basic mission of the entity, the gift must be refused or returned.

**24.5. Policy** All gifts of real estate, planned gifts, bequests, and other types of gifts must be evaluated by the Diocesan CFO prior to acceptance to ensure that the Parish, School or agency is not accepting potential or real liabilities by accepting the gift.

**24.6. Policy** A Parish, School or agency that receives a gift of securities must sell such gift on receipt, unless a donor restriction applies.

**24.7. Policy** The Diocesan Office of Financial Services will assist Parishes, Schools and agencies to sell all securities received as gifts.

**24.8. Policy** The value of the gift of securities for reporting purposes is determined by the date the gift is transferred into the Diocesan account.

## 25 - CHARITABLE FUNDS

**25.1. Policy** Charitable Funds consist of donations to the Parish for the purpose of assisting those in need. The typical beneficiaries of such funds include:

- 1) The unemployed;
- 2) Person(s) with catastrophic illness;
- 3) Accident victims; and
- 4) Vulnerable or aged persons in need.

**25.2. Policy** If organizations such as Saint Vincent DePaul Society exist within a Parish, those organizations should be utilized instead of establishing a Charitable Fund.

**25.3. Policy** Whenever a Parish establishes a Charitable Fund, distributions from the fund can only be made for charitable purposes. Checks must be issued to the landlord, the utility, the mortgage company, or other service or goods supplier but may not, under any circumstance, be issued to the benefiting individual.

**25.4. Policy** The Parish is required must maintain adequate records to support the recipient's need for the assistance provided and that the expenditures further the charitable mission of the Parish and the Catholic Church.

At a minimum, adequate records of disbursements include the following:

- 1) A complete description of the assistance provided;
- 2) The purpose for which the aid was provided;
- 3) The Charitable Fund's Catholic objective for providing the assistance;
- 4) How the recipients were selected; and
- 5) The name, address and amount of assistance that was disbursed on behalf of each recipient.

**25.5. Policy** The Pastor/Minister of Parish Life is responsible for managing Charitable Funds and must be the check signer.

**25.6. Policy** If any relationship exists between a recipient and an officer, director or key employee of the Parish, that relationship must be disclosed to the Pastor/Minister of Parish Life before any assistance is provided and approved in writing by the Pastor/Minister of Parish Life.

**25.7. Policy** All records of assistance that contain the name of a recipient must be kept confidential and made available only to the Pastor/Minister of Parish Life, members of the Charitable Fund committee, the Parish Finance Council and auditors for review.

## 26 – LOANS

### Definitions:

**Standard Term Loans:** All loans made by the Diocesan Deposit and Loan System are Standard Loans unless otherwise stated.

**Bridge Loans:** Bridge Loans are short term loans where the entire amount borrowed is not on deposit with the Diocesan Deposit and Loan System. These loans are usually based on anticipated pledge collections, the proceeds from the sale of a Parish or School asset, a bequest, or other sources of funds that will be collected during the loan repayment period.

**26.1. Policy** The Diocesan Deposit and Loan System is permitted to make Bridge Loans if approved by the Diocesan Finance Council and College of Consultors.

**26.2. Policy** With the approval of the Diocesan Finance Council and the written consent of the Diocesan CFO, 50% of the project must be deposited with the Diocesan Deposit and Loan System before construction begins. Without the approval of the Diocesan Finance Council and the written consent of the Diocesan CFO, 100% of the project cost must be deposited with the Diocesan Deposit and Loan System before construction begins. All Standard Term Loans must be 100% pre-funded by the borrowing Parish or School except for funds expended for architect's and liturgical consultant's fees, fundraising expenses, survey and permit fees, and other pre-construction expenses.

**26.3. Policy** Loan requests must be made in writing to the Diocesan Finance Council through the Diocesan CFO. The request must be signed by the Pastor/Minister of Parish Life and Chair of the Parish Finance Council. If the request is for the school, the request must be signed by the Principal, Chair of the School Finance Committee, Superintendent of School, and Pastor/Minister of Parish Life if a parish affiliated school. Only requests for capital improvement projects will be considered.

**26.4. Policy** Loan requests must include the following:

- 1) Description of the project including building size and use;
- 2) Building cost including all hard and soft costs;
- 3) Sources of funds, including cash on hand and description of other sources of funds. If a capital campaign to raise funds is needed, provide a copy of the financial feasibility study, discuss who will conduct the campaign, the cost to conduct the campaign, and state whether the Bishop has given approval to carry out the capital campaign;
- 4) Construction period, contractor and architect;
- 5) Comments received from the Diocesan Building Committee;
- 6) Financial Statements of the requesting entity showing ability to debt service the requested loan; and
- 7) Requested amount and payback period.

Diocese of San Jose  
Financial Policy Manual

**26.5. Policy** The following are loan underwriting guidelines:

- 1) 50% of the total project cost must be cash on hand and funds committed to pay for the project before the project starts;
- 2) The balance of the total project cost will be from pledges whose redemption period is no more than five years;
- 3) All pledges must be in writing and received by the Diocesan CFO;
- 4) An advance rate will be applied to the pledges. The advance rate varies from 40% to 90% of pledge value depending on the term of the pledge and performance by the parish in prior campaigns;
- 5) The loan amount available is dependent upon cash and acceptable pledges in hand prior to start of construction;
- 6) Any existing loans held by the parish or school must be in compliance with loan terms and conditions. The balance of the existing loan will be added to the loan request to determine the amount of cash and pledges needed to enable consideration of the additional amount. If existing loans are on special payments terms, such as not accruing interest, additional loans will not be granted;
- 7) Total loan granted will not exceed 70% of parish and school deposits; and
- 8) The parish or school must have their QuickBooks financial software housed and maintained on the Right Networks hosted site prior to a loan being granted and using standardized chart of accounts, ensuring the Diocesan CFO's access to pull quarterly financial statements.

**26.6. Policy** Loan requests are reviewed by a committee composed of designated members from the Diocesan Building Committee, the Diocesan Finance Council, and the Diocesan CFO.

**26.7. Policy** Loan interest rate will be Prime rate, as published in The Wall Street Journal, plus 1% which can be adjusted every six months.

**26.8. Policy** Loan terms are not longer than five years.

**26.9. Policy** Monthly interest payments will be due on loan draws during the construction period. Monthly payments of principal and interest will begin when construction is completed.

**26.10. Policy** There is no penalty for early payment of a Standard Term Loan or a Bridge Loan.

**26.11. Policy** The Chair of the Parish or School Finance Committee must send a written semi-annual statement to the Diocesan Finance Council through the Diocesan CFO verifying the loan is paid current according to its terms and the parish or school continues to have a positive cash flow.



## 27 – PARISH AND SCHOOL ACCOUNTING SYSTEMS

**27.1. Policy** All Parishes, Schools, Parish Organizations, and agencies of the Diocese are required to maintain a complete record of all of their financial transactions.

**27.2. Policy** All Parishes, Schools, Parish Organizations, and agencies of the Diocese are required to use the QuickBooks Software System provided by the Chancery Financial Office for their Accounting Systems and financial reporting. The Chancery Financial Office will maintain the QuickBooks software lease and make the latest version of the software available to all Diocesan locations.

**27.3. Policy** All Parishes, Schools, Parish Organizations, and agencies of the Diocese must keep multi user access active in all QuickBooks files, and follow requested processes allowing data to be pulled into diocesan financial reports.

**27.4. Policy** All Parishes and Schools must follow the accounting practices set forth in GAAP [Generally Accepted Accounting Principles for the United States] except as specifically modified by the Diocesan Financial Office. GAAP must be used by all Parishes and Schools. Any questions regarding accounting practices should be referred to the Chief Financial Officer of the Diocese.

**27.5. Policy** All Parishes and Schools in the Diocese are required to use the Standard Chart of Accounts as maintained by the Chancery Financial Office.

**27.6. Policy** A Parish or School is permitted to add detailed sub-accounts to the Standard Chart of Accounts identifying specific items or activities that the Parish or School would like to control. The sub-accounts must be added to the lowest level of accounts in the Standard Chart of Accounts. [Note: An example is posted on the diocesan web site. Since it can change, it should be checked periodically.]

**27.7. Policy** Any changes to the Standard Chart of Accounts must be approved by the Chief Financial Officer of the Diocese.

**27.8. Policy** All Parishes and Schools are required to use the Workday Payroll System to pay all employees and are required to comply with California and Federal Labor Laws and the policies of the Diocesan Human Resource Department.

**Note:** In accordance with IRS interpretation on tuition assistance, diocesan school employees with children in diocesan schools are able to receive non-taxable tuition assistance. All other diocesan employees with children in the diocesan school system are able to receive taxable tuition assistance.

**27.9. Policy** The Pastor/Minister of Parish Life, Principal or designate of a Parish or School is responsible for ensuring that employees are paid in a timely manner as set forth the processing schedules set out by the Payroll Department and Human Resources Department of the Diocese. Failure to process payroll in a timely manner can result in violations of the law and subject the Parish or School to fines and penalties. The diocese suggests the Pastor/Minister of Parish Life, Principal or designate review payroll expense reports sent to them by the Diocesan Office of Financial Services.

## 28 - FRAUDULENT OR DISHONEST CONDUCT & WHISTLEBLOWER POLICY

### Definition:

Fraudulent or Dishonest Conduct: A deliberate act or failure to act with the intention of obtaining an unauthorized benefit. Examples of such conduct include, but are not limited to:

- 1) Forgery or alteration of documents;
- 2) Unauthorized alteration, erasure, or manipulation of computer files;
- 3) Fraudulent financial reporting;
- 4) Pursuit of a benefit or advantage in violation of the Diocese's conflict of interest policy;
- 5) Misappropriation or misuse of the Diocese resources, such as fund, supplies, or other assets;
- 6) Authorizing or receiving compensation for goods not delivered or services not performed; and
- 7) Authorizing or receiving compensation for hours not worked.

**28.1. Policy** The Diocese is committed to maintaining the highest standards of conduct and ethics. The Fraudulent or Dishonest Conduct & Whistleblower Policy ("Fraud Policy") reflects this commitment. The Diocese expects every employee, volunteer, officer, and trustee to adhere to the Fraud Policies. Information about the Fraud Policy can be found on the Diocesan web site.

**28.2. Policy** The Diocese will investigate all allegations of fraudulent or dishonest use of Diocesan resources or property by management, staff, or volunteers. The Diocese will take appropriate action against anyone found to have engaged in fraudulent or dishonest conduct, including but not limited to dismissal by the Diocese, criminal prosecution, or civil action.

**Note:** The Diocese of San Jose has partnered with EthicsPoint to provide ways to report fraudulent or dishonest conduct. Refer to the diocesan website for details at <http://www.dsj.org/about-us/report-financial-mismanagement/>.

## **29 - SALES TAX EXEMPTION, COLLECTION, AND REMITTANCE**

**29.1. Policy** The Diocese is organized and operated exclusively for religious purposes. Consequently, all sales to the Diocese are exempt from California sales taxes with the following guidelines:

- 1) Purchases made for diocesan end use are not exempt from California sales taxes; and
- 2) Purchases made for resale are exempt from California sales taxes if meet **29.4 Policy** exceptions.

**29.2. Policy** Use of the Diocesan tax exempt identification number to purchase tangible personal property for any person or entity other than the Diocese is prohibited.

**29.3. Policy** The Diocese shall comply with civil law mandating that charitable, religious, and educational organizations shall incur retailer's Occupation Tax liability (sales tax) when the organization engages in selling tangible personal property at retail. Contact the Diocesan Financial Office for more information or if you believe the sale is otherwise exempt.

**29.4. Policy** The Diocese incurs Occupation Tax liability and is required to collect and remit sales taxes when it engages in selling tangible personal property at retail with the following exceptions:

- 1) Sales made to members;
- 2) Non-competitive sales, and
- 3) Occasional dinners and similar activities.

### **30 - DIOCESAN FINANCE COUNCIL**

**30.1. Policy** In accordance with the canon 492, the Bishop of San Jose has formed a Finance Council of no less than three of the Christian Faithful who are experts in finance, civil law, and general business matters who are people of impeccable integrity. The “Christian Faithful” are those who have been baptized in the Catholic Church (canon 204), and who remain in communion with the Catholic Church (canon 149) and are not barred by a legitimate sanction (canon 96). The purpose of the Finance Council is to provide assistance and guidance to the Bishop of San Jose in administration of the temporal goods of the Diocese.

**30.2. Policy** The Diocesan Finance Council is formed in compliance with the USCCB guidelines for Diocesan Finance Councils “**Exhibit A**”.

**Note:** Refer to the USCCB website <http://www.usccb.org/about/financial-reporting/index.cfm> for details on diocesan financial reporting and issues.

## 31 – DIOCESAN RECORDS

**31.1. Policy** All records created, received, used, maintained or preserved by an agency or employee of the Diocese during the course of employment or in the transaction of Diocesan business are solely the property of the Diocese. No one is permitted to remove, destroy, or transfer Diocesan records without the prior written authorization of the Diocese. Diocesan records are to be managed in compliance with the Diocesan policies governing Retention Schedules and the procedures developed by the Archives and Records Center.

**31.2. Policy** The Diocese Record Retention policy is formed in compliance with the USCCB guidelines for Records Retention “**Exhibit B**”.

## 32 - LEGAL SERVICES

**32.1 Policy** All Parishes and Schools are prohibited from hiring legal counsel without prior authorization from the Diocesan CFO. All litigation or potential litigation matters must be referred to the Diocesan CFO.

**32.2. Policy** If a diocesan employee is summoned by a court of law or subpoenaed or noticed to attend a deposition regarding any Diocesan, Parish, or School matter they should first contact the Diocesan CFO or the Vicar General.

**32.3. Policy** Diocesan employees are not permitted to talk to private investigators concerning any Diocesan, Parish, or School matters whether actual or potential litigation, unless directed by diocesan leadership to do so.

### **33 – COMMUNICATIONS**

**33.1. Policy** No diocesan employee is permitted to communicate with the media on matters pertaining to all diocesan sites, such as parishes, schools, cemeteries, chancery, etc. If contacted by the media, diocesan employees are required to contact the Diocesan Communications Director at (408) 983-0228 or [communications@dsj.org](mailto:communications@dsj.org).

### **34 – CHANGE OF PASTOR, MINISTER OF PARISH LIFE – INVENTORY OF INFORMATION REQUIRED AND OTHER ACTS**

**34.1. Policy** Whenever there is a change of Pastor/Minister of Parish Life at a Parish, the following is a list of information and records that must be prepared and made available to the incoming Pastor/Minister of Parish Life. The purpose of the inventory is to permit the incoming Pastor/Minister of Parish Life to easily and quickly assess Parish finances and its buildings and grounds and thus limit their time dealing with secular matters. It is expected that the Pastor/Minister of Parish Life will be assisted by one or more people in this endeavor. Typically changes of Pastors/Ministers of Parish Life are effective at the start of a fiscal year, July 1. It is expected that the Inventory will be ready for the new Pastor/Minister of Parish Life no later than 15 days before the change, generally June 15<sup>th</sup>.

Inventory to be Prepared:

- 1) **Bank Accounts and Investment Accounts:** This shall include, at a minimum, the institution where the accounts are held, the account numbers, the current balance or value of each account, the responsible parties on each account, the purpose of each account, the identity of any auxiliary organization that is a beneficiary of the account, and copies of each bank statement since the outgoing Pastor/Minister of Parish Life became pastor/minister of parish life.
- 2) **Loans and Other Debts:** Loan summaries shall include, at a minimum, the identity and contact information of the lender, the amount owed, if repayment is made periodically, the amount of periodic payments and frequency, the date the last payment was made and amount, and the date the next payment is due and the amount.
- 3) **Employees:** List each employee by name, position, duties, salary, and tenure. The location of the personnel files of each employee, including the school principal, if any, shall be provided and made immediately available to the incoming Pastor/Minister of Parish Life on request.
- 4) **Financial Statements:** Financial Statements [Income & Expense and Balance Sheets] for the second and third months prior to the change, normally April and May and the prior Fiscal Year.
- 5) **CPA Report:** The most recent CPA Financial Review Report, Diocesan Internal Audit, if completed, and any written responses updating any issues identified in either report.
- 6) **Parish Credit Card:** A list of each Parish credit card by card holder, purpose, account number, and issuer.
- 7) **Personal Property Inventory:** A list of all priests' personal possessions.
- 8) **Parish Budget:** The latest Parish budget, which should be for the upcoming fiscal year.
- 9) **Parish or School Endowments [if any]:** Provide the name of the endowment, purpose, bylaws, the minutes of meetings, members of the board by name and contact information, and the most recent financial statement.
- 10) **Council and Committees:** Identify each Parish and school council and committee by name, purpose, and members and provide copies of the bylaws and minutes of all meetings for the preceding three (3) years.



Diocese of San Jose  
Financial Policy Manual

- 11) **Keys:** Identify all Parish and School keys by purpose, the location they open, all persons who have the keys, all persons entitled to access to the keys, and the location of any key box or boxes.
- 12) **Safe Deposit Boxes:** List by institution and location, account number, persons who have access, purpose, and the location of all keys.
- 13) **Parish Safe(s):** Provide the location(s), contents, purpose(s), and a list of all person who have access with their contact information and reason for access. If it is a combination safe, provide the combination [in a suitably secure manner] and the identity of all persons who are known to have the combination. If the safe is opened by a key, list the number of keys and location, all persons who have keys and all persons who have had access to the keys during the prior year.
- 14) **Recent Significant Capital Improvements:** List all significant capital improvements made during the past 3 years and the purpose(s) and all proposed capital improvements that are considered needed and the purpose(s).
- 15) **Pictorial Parishioner Directory:** Provide the most recent version.
- 16) **Phone System:** Provide instructions to the phone system and the identity of the last person or company that provided maintenance or repairs to the phone system.
- 17) **Parish Web Site:** Provide all information needed to access, upgrade, and maintain the web site, including all passwords, in a suitable secure manner.
- 18) **Parish Security System:** If the Parish has a security system, provide all information needed to access and utilize the security system [including passwords and codes] and the identity of the last person or company that worked on the security system.

**34.2. Policy** The new Pastor/Minister of Parish Life shall rekey all locks that provide access to the Parish buildings, church, sensitive financial data, documents, and checks. The combinations to any safes shall be changed.

## 35 – ENDOWMENTS

**35.1. Policy** This policy sets forth requirements for establishing and managing all Endowments and Endowment Funds. An Endowment Fund is a fund that is maintained in perpetuity and that utilizes only the income generated from the fund to support purposes designated by the Endowment. Generally, all Endowments and Endowment Funds must be managed in a manner that is consistent with the donor's intent.

**35.2. Policy** All Endowments for a Parish or School require a written document that conforms to canon law and is approved by the Bishop.

**35.3. Policy** The Diocesan Deposit and Loan System and Diocesan Investment Pool holds investments and endowments for Parishes, Schools, and related agencies. No Parish, School or related agency is permitted to deposit investment and endowment funds at financial institutions other than the Diocesan Deposit and Loan System and Diocesan Investment Pool (see 21.3 Policy).

**35.4. Policy** Each Endowment is required at a minimum to provide the following:

- 1) The identity of the sponsoring Parish or School [Note: The sponsor must be a Parish or a School];
- 2) The purposes for which the income generated by the Endowment Fund may be used, including, at a minimum, as a purpose, "general operations";
- 3) The tax-exempt status of the sponsoring entity;
- 4) The operating procedures of the Endowment; and
- 5) A statement, consistent with canon law, of how the corpus of the Endowment Fund will be distributed should the Parish or School that was the initial sponsor should the Parish or School cease to exist.

A duplicate original of the document establishing the Endowment must be archived at the Parish or School and the Diocesan offices.

**35.5. Policy** A Parish or School can establish designated funds in the Diocesan Deposit and Loan System or Diocesan Investment Pool.

**35.6. Policy** Endowments established prior to the implementation of these policies are to be brought into conformity with these policies as soon as is practicable except to the extent that they conflict with the donor's expressed intention or materials published to solicit funds for the Endowment.

**35.7. Policy** An endowment must be managed as set forth in the documents establishing the Endowment and as set forth below.

**Management Guidelines**

- 1) Only the net income generated by the Endowment Fund may be used;
- 2) Income from the Endowment Fund is to be distributed by the Pastor/Minister of Parish Life, or in the case of Schools not associated with a Parish, the School principal, in a manner consistent with the purpose of the Endowment as set forth in its establishment documents and as determined by the board or council responsible for administering the Endowment;
- 3) All funds contributed to an Endowment shall be invested through the Diocese of San Jose Investment Pool. Transfers to the Investment Pool can be made at any time; and
- 4) A Parish or School may only solicit funds for or transfer undesignated funds to an established Endowment if the Parish has been making deposits to its Deposit and Loan Fund and its Maintenance Fund for the past two fiscal years equal to 2.5% of the insured value of its fixed assets.

**35.8. Policy** If Parish or School for which an Endowment has been created ceases to exist, the Endowment Fund shall be distributed according to the terms of the Endowment.

## **36 -THE DIOCESE OF SAN JOSE INVESTMENT POOL STATEMENT OF INVESTMENT POLICY**

### **Table of Contents**

INTRODUCTION .....	61
SECTION 1 – INVESTMENT POLICY .....	61
1.1 Asset Allocation.....	61
1.2 Exception.....	61
1.3 Liquidity.....	61
SECTION 2 - INVESTMENT OBJECTIVES .....	62
2.1 Objectives.....	62
2.2 Monitoring .....	62
SECTION 3 - INVESTMENT MANAGEMENT GUIDELINES.....	62
3.1 Fixed Income Securities .....	62
3.2 Equities.....	63
3.3 Commingled Vehicles.....	63
3.4 Social Responsibility.....	64
3.5 Conflicts of Interest.....	64
3.6 Diversification .....	64
SECTION 4 - REVIEW PROCEDURES.....	65
4.1 Review of Investment Policy .....	65
4.2 Performance Review .....	65
4.3 Investment Manager Report.....	66
4.4 Tenure .....	66
SECTION 5 – DISTRIBUTION POLICY .....	66
5.1 Purpose .....	66
5.2 Distribution Policy for Endowment Funds .....	66
5.3 Payout Rate .....	67
5.4 Distribution Policy for non-Endowment Funds.....	67

## INTRODUCTION

The purpose of the Diocese Investment Pool (“The Pool”) is to provide a vehicle for Parishes, Schools and agencies to secure professional management for their long term assets other than real estate, while providing current income and safeguarding the asset value of The Pool participants. By pooling resources, The Pool participants are able to make investments that they might not otherwise be able to. The Pool has been organized the Bishop who has delegated his authority to appoint an investment manager and adopt an investment policies to the Diocesan Financial Council (the “Finance Council”).

## SECTION 1 – INVESTMENT POLICY

### 1.1 Asset Allocation

Consistent with the desired objectives and risk tolerances of The Pool, the Finance Council has decided on the following asset allocation limits:

#### Summary of Asset Allocation

Asset Class	Policy Index Target	Allocation Bands		Target Benchmarks
		Low	High	
<b>Equities:</b>	<b>60%</b>	<b>30%</b>	<b>70%</b>	<b>Blended, based on actual allocation</b>
U.S. Equities		30%	70%	S & P 500 Index
Non-U.S. Equities		10%	50%	MSCI EAFE
<b>Fixed Income:</b>	<b>40%</b>	<b>30%</b>	<b>70%</b>	<b>Barclays Government/Corporate Index</b>
<b>Cash &amp; Cash Equivalents:</b>	<b>0%</b>	<b>0%</b>	<b>20%</b>	<b>90-Day T-Bills</b>
<b>Total Portfolio:</b>	<b>100%</b>			

### 1.2 Exception

Subject to the Finance Council’s prior approval, the above asset allocation limits may be modified to reduce potential market risks or take advantage of opportunities to capitalize on anticipated market movement.

### 1.3 Liquidity

The Investment Manager shall maintain a sufficient level of liquidity in The Pool so that The Pool can make quarterly disbursements of earnings.

## **SECTION 2 - INVESTMENT OBJECTIVES**

### **2.1 Objectives**

The underlying goals of The Pool include the following:

- (a) Long term growth in fund assets.
- (b) Additional funds shall be invested prudently.
- (c) Growth shall be balanced so that there is a reasonable level of risk and volatility of return when compared to the "target benchmarks" in Section 1.1.
- (d) The long term investment rate of return should equal or exceed the "target benchmarks" in Section 1.1.
- (e) The short term investment rate of return should exceed the "target benchmarks" in Section 1.1 measured over any three to five year period or a market cycle [Note: A "market cycle" is defined as period in which a rising market (bull market) and a declining market (bear market) are completed.]

### **2.2 Oversight**

The Finance Council will monitor The Pool on a regular basis and review The Pool's performance quarterly (See Section 4).

## **SECTION 3 - INVESTMENT MANAGEMENT GUIDELINES**

The following are the guidelines for The Pool's investment in specific types of securities.

### **3.1 Fixed Income Securities**

- (a) Quality

All fixed income securities held by The Pool shall be "Marketable Debt Securities." (For purpose of this Policy, only investment grade convertible securities will be considered "Marketable Debt Securities.") All Marketable Debt Securities" shall be "A" rated by either Moody's Investors Service (Moody's) or Standard and Poor's Corporation (S & P).

Investments offered by insurance companies or banks are only permitted if the institution offering the investment has the highest rating in its industry, as defined by a recognized rating service.

- (b) Maturity

The average maturity date of the portfolio shall be three (3) years to ten (10) years.

(c) Selection

The Investment Manager shall be the responsibility for the selection of Marketable Debt Securities.

(d) Limitation

Excluding government guaranteed securities, no more than 5% of the Fixed Income Securities portfolio, at actual cost, shall be invested in any one Fixed Income Security.

### **3.2 Equity Securities [Common stock, mutual funds, and exchange traded funds]**

(a) Quality

- (i) All Equity Securities must be traded daily on one or more of the major exchanges, or be a qualified mutual fund or equivalent.
- (ii) Not more than 15% of the Equity Securities held by The Pool (at cost) shall be invested in companies that have a market capitalization of less than \$50 million, do not have at least five years of earnings history as a publicly held entity [either as a stand-alone company or as a separately identifiable subsidiary, division, or line of business], or have not been profitable in at least three (3) of the last five (5) years.
- (iii) Stockholder rights should be sufficient for the reasonable exercise of ownership prerogatives.

(b) Selection

The Investment Manager shall be the responsibility for the selection of Equity Securities.

(c) Limitation

Not more than 5% of the total portfolio, at market value, shall be invested in any one Equity Security.

### **3.3 Commingled Investment Vehicles [mutual funds, bank common trust funds, insurance company separate investment accounts, guaranteed interest contracts]**

The quality criteria set forth in 3.1 or 3.2 above are applicable to the overall portfolio of Commingled Investment Vehicles, not a specific holding.

### **3.4 Social Responsibility**

The Pool shall not invest in any securities of organizations that do not meet the standard for socially responsible investment established by the United States Conference of Catholic Bishops as communicated separately in writing to the Investment Manager.

### **3.5 Conflicts of Interest**

The Investment Manager shall not cause The Pool to engage in any transaction which is prohibited by Section 4975 of the Internal Revenue Code, including but not limited to the following:

- (a) Purchase or sale of assets between The Pool and the Investment Manager or any affiliate.
- (b) Loans of property between The Pool and the Investment Manager or any affiliate.
- (c) Purchase, sale, or other transaction in connection with which the Investment Manager or any affiliate receives any payment for its own account, whether as underwriter, investment banker, or broker.
- (d) Exemptions

While the transactions described above are generally not permitted, with the prior written consent of the Finance Council, The Pool may enter into a transaction that does not meet all of the above requirements as long as the investment does not violate Section 4975 of the Internal Revenue Code (i.e. such as notice, limitations on compensation received, retention and availability of records, etc.).

### **3.6 Diversification of Investments**

The purpose of diversifying investments is to spread and limit risk. This is accomplished by limiting the percentage that a single investment or class of investments represents of the entire portfolio of investments of The Pool.

- (a) Equities and Fixed Income

In order to minimize the risk of large losses in any particular type of securities, the portfolio shall be diversified in both equity and fixed income investments with no material concentration of assets in any single security or industry group, with the exception of U.S. Government obligations.



(b) Limitations

With respect to limitations on positions held, refer to the relevant limitations in Section 3.1(d) and 3.2(c).

(c) Industry

With regard to industry diversification, it is expected that the Investment Manager will invest in a variety of industry groups to ensure diversification, not to exceed 2 ½ times the industry weighting.

## **SECTION 4 - REVIEW PROCEDURES**

### **4.1 Review of Investment Policy**

This Statement of Investment Policy, or any part thereof, will be reviewed by the Finance Council whenever, in its opinion, circumstances change to the extent that the policy or any part thereof is ineffective or inappropriate.

### **4.2 Performance Review**

(a) Quarterly Reports

The CFO of the Diocese will consult quarterly with the Investment Manager to review the status of The Pool investments and will present that information to the Investment Committee of the Finance Council, or in its absence, directly to the Finance Council.

The performance review will focus on:

- (i) Adherence to investment policies and guidelines.
- (ii) Comparison of results against The Pool's index fund as described in 4.2 below.

(b) Investment Performance Reports

Independent Investment Performance Reports will be prepared quarterly and submitted to the Finance Council. The Investment Manager's performance will be compared to the objectives in Section 1.1.

The Investment Manager's performance will be compared to the performance of a composite plan objective measurement index ("plan index fund") created from the separate classes of investment or indices in Section 1.1. The purpose of the "plan index fund" is to compare the Investment Manager's composite performance to the performance the plan would be

experienced had investments been made in the "plan index fund" instead of in the securities selected by the Investment Manager.

Although quarterly reports will be used as interim guideposts, returns over rolling three year periods are considered more meaningful and both the consistency and average characteristics of the portfolio will be considered.

### **4.3 Investment Manager Report**

- (a) Other Reports and Notices
  - (i) Actual and prospective changes in investment philosophy and investment strategy.
  - (ii) Economic and market analysis.
  - (iii) Other reports the Investment Manager decides are relevant.
- (b) Investment Strategy or Process

The Investment Manager should articulate his specific approach or strategy in advance and advise the Finance Council of any revisions or changes in his process. (For example, if the Investment Manager has a "balanced fund strategy" it should be explained in detail.)

### **4.4 Tenure**

While the relationship with the Investment Manager is expected to be ongoing, the Finance Council reserves the right to terminate the plan's relationship with the Investment Manager at any time it deems it necessary to do so, as provided in the Investment Management Agreement.

## **SECTION 5 – DISTRIBUTION POLICY**

### **5.1 Purpose**

The purpose of the distribution policy is to apply a disciplined and rational approach to moving money from The Pool to the operating budgets of The Pool participants and to make sure that it is done on a predictable and consistent basis.

### **5.2 Distribution Policy for Endowment Funds**

Distributions from The Pool will be based on the current Payout Rate multiplied by the average market value of The Pool over the previous 12-quarters. Distributions

are not required and distributable amounts may be retained in The Pool. Distributions may be scheduled on a quarterly, on a pro-rated basis.

### **5.3 Payout Rate**

The Payout Rate will be determined annually by the Investment Committee of the Council and approved by the Finance Council. This rate should be set no later than March 31 of each year. The Payout Rate should be maintained between a 5% spending cap and a 3% floor to help moderate distributions during volatile periods.

### **5.4 Distribution Policy for non-Endowment Funds**

Distributions from The Pool for participants that are not Endowments may be made at any time based on written request from the owner of the funds. Owners of non-Endowment Funds may request that distributions be based on the same basis as that used for Endowment Funds.

## Glossary

**Allowance:** An allowance is an amount paid to someone that requires no proof as to how the amount was spent. An example is a car allowance where an individual's vehicle is used regularly for parish or school purposes.

**Annual Financial Reports:** The yearly reports each parish and school are required to complete to review their finances and submit to the Diocesan Office of Financial Services. [See "Review"] At a minimum, it is required to be a current Profit & Loss Statement as of June 30 with a comparison of the Actual versus the Budget and the Variance, a Balance Sheet as of June 30, an Operating Budget for the upcoming fiscal year, a statement identifying by account number and institution all Asset Accounts as of June 30, 2015 (checking, savings, investments, affiliated organizations), a calculation of the amount transferred from the parish and school account to the Diocesan Deposit and Loan System, Review of Operations, Finance Council or Committee Self Audit, Endowments identified by name, and a list of Affiliated Organizations.

**Anti-Fraud Policies:** Policies meant to curb or eliminate fraudulent conduct.

**Budget:** A report listing the anticipated revenues and expenses for the forthcoming fiscal year.

**Canon Law:** The Code of Canon Law promulgated by the Holy See of the Catholic Church. The latest edition 1983.

**Capital Assets:** Assets that have a useful life of more than one year and the acquisition of more than \$5,000.

**Cash:** Currency of the United States [differentiated from checks].

**Cash Equivalents:** Checks or inventory such as scrip.

**Chancery Offices:** The central administrative offices of the diocese.

**Check:** A written instrument that is signed and dated and contains an unconditional order from the drawer that directs a bank to pay a specific amount to the designated payee.

**Clergy:** Ordained priests and deacons. Priests must be granted ministerial faculties in the name of the Bishop, to act under his authority.

**Collection:** Any effort to accept gifts of money at a mass, typically before the offertory or at the end of mass.

**Collection Bag:** A tamper-proof pre-numbered plastic bag that the collection money is placed before being deposited into a parish safe.

**Collection Log:** a log that includes the following information for each assigned Collection Bag:

- 1) The date, time and purpose of the Collection;
- 2) The identity of two persons who secured the Collection into the Collection Bag; and
- 3) The signature of two members of the Count Team who opened the collection bag.

**College of Consultors:** A group of priests appointed by the bishop to act as advisors, having certain canonical responsibilities per canon 502.

**Count Team:** The persons appointed by the Pastor/Minister of Parish Life to count money donated to the parish.

**Diocesan Deposit and Loan System:** The Diocesan Deposit and Loan System holds savings and loans for parishes, schools, and related agencies.

**Diocesan Offices:** The offices that assist the bishop to serve the Diocese (see Chancery Offices).

**Diocese:** The Diocese of San Jose, including "The Roman Catholic Bishop of San Jose" and

Diocese of San Jose  
Financial Policy Manual

“The Roman Catholic Welfare Corporation of San Jose.”

**Diocesan Finance Council:** The group of advisors to the bishop on financial matters as required by canons 492, 493.

**Donated Assets:** Anything of value that is gifted.

**Drexel School:** The system of particular schools operated by the diocese identified as such.

**Endowment Fund:** The money donated to an endowment.

**Endowments:** Funds with specific instructions on how the revenue generated from the fund is to be spent, how the fund is to be distributed, including if the purpose of the endowment ceases to exist, or is impossible to continue performing.

**Excess Funds:** Excess Funds are defined as all funds in a bank account at the end of the fiscal year [ending June 30] that exceed the amount of funds needed for activities during the subsequent fiscal year.

**Financial Review:** A financial review is performed by an independent CPA firm examining parish and school compliance with diocesan guidelines, resulting in a report identifying recommendations to be implemented by the next financial review. Reviews are completed every three years, or when there is a change in parish or school administration.

**Financial Statements:** Profit and Loss Statement, Balance Sheet, and Budget.

**Financial Volunteer:** Any person who volunteers his/her time without monetary compensation whose duties will include responsibilities over monies or inventory belonging to the parish/school. Examples include ushers and members of count teams.

**Fiscal Year:** July 1 – June 30.

**Fixed Asset Ledger:** A list of all items in that part of the accounting records that detail fixed assets. Fixed assets are items that have a useful life of more than 1 year and a net book value of greater than \$5,000.

**Fraudulent Conduct:** Conduct that is deceitful or dishonest, including, but not limited to theft and embezzlement.

**Gift:** Something of value given by someone to another. For purposes of this manual, gifts are typically given by an individual or a foundation to a parish or school.

**Offering:** An offering is a gift made on the occasion of the celebration of a sacrament or sacramental, usually in the form of money, freely or gratuitously given out of concern for the church or her ministries and/or the desire to support its material needs.

**Office of Financial Services:** All diocesan financial services are administered by the diocesan CFO.

**Parish:** A subdivision of the diocese as required under canon 374 et. seq.

**Parish Community:** The lay members of a parish.

**Parish Finance Council:** The council established within each parish as required by canon 537 to help the pastor/minister of parish life administer the goods of the parish as required by canon law.

**Parish Organization:** An organization sponsored by a parish. Examples include the Altar Society, Men’s Club, etc.. [See Affiliated Organizations]

**Parsonage Provision:** Money provided for the support of clergy living expenses.

**Provision:** A provision is a good or service provided to the recipient without a direct cash payment, such as meals or lodging.

Diocese of San Jose  
Financial Policy Manual

**QuickBooks:** The accounting software by Intuit, Inc.

**Registered Parishioner:** Someone who is a practicing catholic, active member of the Parish and who has registered as a member of a Parish by providing the Parish, at a minimum, with his/her name and current residence.

**Religious Merchandise:** Religious or items available for sale at the church, office or school.

**Reimbursement:** reimbursement is an amount paid to someone who has or will spend that amount from their own funds for the benefit of the parish or school.

**School Community:** Parents and other persons who have a personal interest in a school by having a child or grandchild attending the school.

**School Parent:** A parent, grand-parent or adult sibling of a registered student of the school.

**Scrip:** A parish, school or related organization program that provides certificates, which are purchased at a discount for goods, services, and entertainment to raise funds.

**Sponsored Society:** A Sponsored Society is an organization that is promoted within a Parish to perform certain functions separate and apart from the Parish, including, but not limited to, charitable acts of feeding and clothing the poor, assisting the sick and elderly, and helping the imprisoned.

**Stipend:** A stipend is money received by a priest or deacon on occasion of the exercise of his ministry by celebrating a sacrament or sacramental

**USCCB:** The United States Conference of Catholic Bishops.

**User Agreement:** An agreement that has been pre-approved by the Diocesan Chief Financial Officer all non-parish groups who wish to use any parish or school facilities are required to complete and submit before they are permitted to use parish or school facilities.

**Usher:** A person assigned by a pastor/minister of parish life to assist with hospitality and collections, most typically, at weekend masses.

**-Exhibits-**

## Exhibit A

### IX. Diocesan Finance Councils

**Canon 492 of the Code of Canon Law mandates all dioceses to establish a finance council:**

Canon 492-§ 1. In every diocese a finance council is to be established, over which the diocesan bishop himself or his delegate presides and which consists of at least three members of the Christian faithful truly expert in financial affairs and civil law, outstanding in integrity, and appointed by the bishop.

§2. Members of the finance council are to be appointed for five years, but at the end of this period they can be appointed for other five-year terms.

§3. Persons who are related to the bishop up to the fourth degree of consanguinity or affinity are excluded from the finance council.

#### Roles and Responsibilities of the Finance Council

The diocese should prepare a charter for the finance council that includes, at a minimum, the following roles and responsibilities (a sample charter is included later in this chapter). The finance council must prepare the annual diocesan budget according to the instruction of the diocesan bishop (canon 493). (While the annual budget may initially be prepared by the staff of the diocese, final approval and recommendation to the Bishop rests with the finance council.)

The finance council must examine the annual report of income and expenditures prepared by the diocesan finance officer (canons 493, 494). (This examination may take the form of reviewing the annual audited financial statements as presented by the diocese's independent auditors.)

The finance council is to give *counsel* to the bishop on the following:

1. Appointment of a finance officer (canon 494)
2. Removal of the finance officer (canon 494)
3. Imposition of taxes, either ordinary or extraordinary (canon 1263)
4. Decisions relative to the more important acts of administration (It is for the conference of bishops to define what is meant by acts of extraordinary administration.) (canon 1277)
5. Determination of the meaning of acts of extraordinary administration for institutes subject to his control if the statutes are not specific (canon 1281.2)
6. Review of annual reports submitted to him by clerical and lay administrators of any ecclesiastical goods (canon 1287.1)
7. Leasing of ecclesiastical goods owned by the diocese when the market value of the property to be leased exceeds \$400,000 (see Chapter XVI, subtopic: *Leasing*, canon 1297 and USCCB Complimentary Norms for canon 1297)
8. Investment of tangible and intangible property assigned to an endowment (canon 1305)
9. Modification of the obligations imposed in executing last wills for pious causes if such obligations cannot be fulfilled (canon 1310.2)



Diocese of San Jose  
Financial Policy Manual

The finance council must give or withhold *consent* to the bishop on the following:

- Performance of an act of extraordinary administration as defined by the United States Conference of Catholic Bishops (USCCB) (canon 1277):
  - i. Initiating a program of financing by the issuance of instruments such as bonds, annuities, mortgages or bank debt in excess of the minimum amount set in accord with canon 1292 § 1.
  - ii. Resolving an individual or aggregate claim(s) by financial settlement in excess of the minimum amount set in accord with canon 1292 § 1.
  - iii. Engaging in the regular management or operation of a trade or business that is not substantially related to the performance of the religious, spiritual, educational or charitable purposes of the Church, for the purpose of generating income to carry on such activities.
  - iv. Entering into any financial transaction or contractual agreement, the terms of which address matters involving an actual or potential conflict of interest for the diocesan bishop, auxiliary bishop(s), vicar(s) general, episcopal vicar(s), or the diocesan finance officer.
- Leasing of ecclesiastical goods owned by the diocese when the market value of the property to be leased exceeds \$1,000,000 or the lease is to be for three years or longer (see Chapter XVI, subtopic: *Leasing*, canon 1297 and USCCB Complimentary Norms for canon 1297)
- Alienation of property at or above the "minimum" amount established by the USCCB (canon 1292 § 1) (see Chapter XVI, subtopic: Alienation and Acts of Ordinary and Extraordinary Administration)
- Alienation of property of other public juridic persons subject to the diocesan bishop at or above the "minimum" amount established by the USCCB (canon 1292 § 1) (see Chapter XVI, subtopic: Alienation and Acts of Ordinary and Extraordinary Administration)
- In addition to alienation, the entering into any transaction that worsens the financial condition of the diocese (canon 1295)

Be aware that consent must also be obtained from the Holy See for alienation of property given to the Church by vow, property precious for artistic or historical reasons or when the value of the property exceeds the "maximum" amount established by the USCCB (see Chapter XVI, subtopic: Alienation and Acts of Ordinary and Extraordinary Administration). Consent of the Holy See is also required for the valid leasing of ecclesiastical goods when the market value of the goods exceeds \$5,000,000. (See USCCB Complementary Norms for canon 1297- Leasing of Church Property.)

## Other

The diocese should consult with its canon lawyer to clarify the role of the diocesan finance council and ensure that it operates consistent with canon law. In addition to specific canon law requirements, diocesan bishops should consider consulting with their finance councils on the following:

Diocese of San Jose  
Financial Policy Manual

- Appointment of auditors (In addition, the diocesan finance council should perform the audit committee oversight role if an audit committee does not exist, including oversight of financial management policies and the implementation thereof.
- Appointment of legal counsel
- Employee compensation and benefits
- Insurance and risk management
- Property management
- Construction management
- Investment policies
- Internal controls
- Development (fundraising)- See USCCB Complimentary Norms for canon 1262 (effective August 15, 2007) and U.S. Catholic bishops, Principles and Guidelines for Fund Raising in the United States by Arch/Diocese, Arch/Diocesan Agencies and Religious Institutes (November 16, 1977), available from the USCCB Finance Office
- Banking arrangements
- Fulfilling the requirements of the Resolution on Diocesan Financial Reporting that became effective January 1, 2001

At its General Meeting in November 2000, the bishops unanimously adopted a Resolution on Diocesan Financial Reporting, effective January 1, 2001 requesting each suffragan bishop to send an annual letter to his metropolitan archbishop (and each metropolitan archbishop to send an annual letter to the senior suffragan bishop in the province) specifying compliance with certain provisions of canon law. At its November 2011 meeting the Resolution was extended to remain in effect through November 2016. The finance council should assist the bishop in fulfilling the requirements of the resolution. The resolution and reporting form are reproduced later in this chapter.

## Exhibit B

### Records Retention

#### Introduction

The records retention guidelines for diocesan/parish records were prepared to assist dioceses' and/or parishes' needs to establish control over routine records and to preserve records of permanent value. The list of records included is lengthy but not all inclusive. Each diocese/parish may have a series of records not mentioned here. Do check with the retention requirements applicable to your jurisdiction and nature of your documents. The following are samples of typical record retention periods.

#### Records Retention Schedules

Records retention schedules represent the period of time that records must be kept according to legal and/or organizational requirements.

This document covers retention schedules for seven different groups of diocesan/parish records:

- Administrative
- Personnel
- Financial
- Property
- Cemetery
- Publications
- Sacramental

Within each group, different series are listed followed by a retention period. Records older than the retention period should be destroyed. Those of permanent value should be stored appropriately.

#### A. Administrative Records

These records are produced in the course of the management of the affairs of the diocese/parish.

<b>Records Type</b>	<b>Retention Period</b>
Abstracts, deeds (property)	Permanent
Annual reports to Chancery ( <i>Status Animarum</i> )	Permanent
Annual reports to the diocese/parish	Permanent
Articles of incorporation and bylaws	Permanent
Bequest and estate papers ( <i>wills</i> )	Permanent
<i>Diocesan Financial Reporting Resolution: reports from dioceses</i>	7 Years
Census records	Permanent
Contracts, inactive	7 years after end of contract
Correspondence, legal	Permanent
Correspondence, official ( <i>regarding diocesan/parish policies, diocesan/parish directive, etc.</i> )	Permanent
Correspondence, routine Review/discard	biannually

Diocese of San Jose  
Financial Policy Manual

Donor lists	Permanent
Endowment decrees	Permanent
Finance Committee minutes	Permanent
Historical file ( <i>newspaper clippings, photos, etc., related to diocese/parish</i> )	Permanent
Insurance policies	Permanent
Inventories of property and equipment	Permanent
Leases Destroy	7 years after expiration.
Liturgical minister's schedules ( <i>altar servers, ushers, lectors, etc.</i> )	Retain until superseded
Mass intention books	2 years
Office files, subject	Selective retention: retain those that document diocesan/parish administration and activities
Parish council constitutions	Retain until superseded
Parish council minutes	Permanent
Diocese/parish organization records ( <i>minutes, correspondence, publications, etc.</i> )	Permanent
Photographs ( <i>relating to diocesan/parish history, clergy, parishioners</i> )	Permanent
Policy statements	Permanent
Religious education reports ( <i>for the diocesan offices</i> )	Permanent
Rosters of parishioners	Permanent
Subject files ( <i>correspondence, memos, rules, schedules, etc.</i> )	Annual review; destroy superseded files biannually
Will, testaments, codicils	Permanent

**B. Personnel Records**

A personnel file should be maintained for each active diocesan/parish employee. That file should contain the following:

- Employee application
- Resume
- Salary information
- Sick leave taken and accrued
- Vacation record
- Performance evaluations
- W-4 form and state withholding forms
- Results of background checks

A completed Eligibility Verification form (I-9) must be on file for each employee. It is recommended that these forms be maintained in a file separate from the employee's personnel file.

These records are *confidential* and should be made available only to diocesan/parish representatives with a legitimate right to know, unless their disclosure is compelled by some legal action. In many states, employees and former employees have the right to inspect their own personnel files. The diocese/parish/organization/employer has the right to require that the request be in writing and has a stated number of working days to comply with the request.

Several items likely to be in a personnel file are specifically excluded from mandatory inspection in many states:

- investigation of criminal offenses
- reference letters
- test documents
- materials dealing with staff management planning
- personal information concerning another employee that could, if released, be an invasion of privacy
- records relating to a pending legal claim that would be discoverable in court

**Records Type Retention Period**

**Benefits**

Disability records	7 Years
Pension vesting files	7 Years
Retirement benefits	7 Years
Service records	7 Years

**General**

Permanent earnings and records	7 years after benefit termination
Attendance records	7 years after termination
Employee contracts	7 years after termination
Employee deduction authorization	7 years after termination
Employee salary schedules	7 years after termination
FMLA Reports	7 years after termination

**Labor Contracts**

Permanent

**Health and safety**

Accident/injury reports	7 years
Employee medical complaints	7 years
Employee medical records	30 years from termination
Environmental test records/reports	Permanent
Hazardous exposure records	Permanent
Toxic substance explore reports	Permanent
Workers' compensation records	12 years after injury (filing), death, or last compensation payment

Diocese of San Jose  
Financial Policy Manual

**Lay Personnel actions**

Applications rejected	1 year
Employee evaluations	2 years after termination
Personnel files, terminated	7 years
Termination records	7 years

**Salary administration**

W-2 forms	7 years from time of filing
W-4 forms	7 years from date of filing
Time cards	3 years from date of filing
Time sheets	3 years from date of filing
I-9 form	7 years after termination

**C. Financial and Accounting Records**

**Records Type Retention Period**  
**Financial**

*Banking*

Bank deposits	7 years
Bank statements	7 years
Cancelled checks	7 years
Check registers/stubs	7 years

*General*

Audit reports	Permanent
Balance sheets, annual	Permanent
Balance sheets, monthly/quarterly	Destroy after 1 year
Budgets, approved, revised	7 years
Financial reports, annual	Permanent
Financial reports, monthly	Destroy after 1 year
Financial statements	Permanent

*Investment/Insurance*

Bonds, cancelled	7 years from date of cancellation
Certificates of deposit,	cancelled 3 years after redemption
Insurance policies/active	Permanent
Insurance policies/cancelled	Permanent
Letters of credit	7 years
Mortgage records	Permanent
Securities sales	7 years
Stock investment	7 years after sale

**Accounting**

Accounts payable invoices	7 years
Accounts payable ledgers	7 years

Diocese of San Jose  
Financial Policy Manual

Accounts receivable ledgers	7 years
Credit card statements/charge slips	7 years
Invoices and paid bills, major building construction	Permanent
Invoices and paid bills, general accts	7 years
Cash books	7 years
Cash journals	7 years
Cash journal, receipts on offerings and pledges	7 years
Receipts	7 years
Mortgage payments	7 years
Chart of Accounts	Permanent
 <i>Other Records</i>	
General ledger/annual	Permanent
Journals, general and specific funds	Permanent
Journal entry sheets	7 years
Ledgers, subsidiary	7 years
Payroll journals	7 years
Payroll registers, summary schedule of earnings, deductions and accrued leave	7 years
Pension records	Permanent
Pledge registers/ledgers	7 years
Permanently restricted gift documents	Permanent
Temporarily restricted gift documents	7 years after meeting Restrictions
 <i>Tax Records</i>	
Employment taxes, contributions, and payments, including taxes withheld, FICA	7 years from date of filing
W-2 forms	7 years from date of filing
W-4 forms	7 years from date of filing
IRS exemption determination letters, for organizations other than those listed in <i>The Official Catholic Directory</i>	Permanent
Form 990	Permanent
State tax exemption certificates ( <i>income, excise, property, sales/use, etc.</i> )	Permanent

**D. Property Records**

**Records Type Retention Period**

Architectural records, blueprints, building designs, specification	Permanent
Architectural drawings	Permanent
Deeds files	Permanent
Mortgage documents	Permanent
Property appraisals	Permanent
Real estate surveys/plots, plans	Permanent

Diocese of San Jose  
Financial Policy Manual

Title search papers and certificates Permanent

### E. Cemetery Records

#### Records Type Retention Period

Account cards ( <i>record of lot ownership and payments</i> )	Permanent
Annual report	Permanent
Bank statements	7 years
Board minutes	Permanent
Burial cards ( <i>record of interred's name, date of burial, etc., alphabetically</i> )	Permanent
Burial record ( <i>record of interred's name, date of burial, etc.</i> )	Permanent
Contracts documenting lot ownership	Permanent
Correspondence Selective retention: keep if item has historical, legal, fiscal value	Permanent
General ledger	Permanent
Lot maps	Permanent

### F. Publications

#### Records Type Retention Period

Anniversary books	Permanent
Annual reports to the diocese/parish	Permanent
Newsletters of the diocese/parish or affiliated organizations	Permanent
Other diocese/parish-related publications	Permanent
Parish bulletins	Permanent

### G. Sacramental Records

#### Records Type Retention Period

Baptism register	Permanent
Confirmation register	Permanent
First Communion register	Permanent
Death register	Permanent
Marriage register	Permanent
Marriage case files	Permanent
Sick Call register	Permanent



## Exhibit C

### 12-Step Project Review by the Building and Maintenance Committee

<b>Step</b>	<b>What Happens</b>	<b>Who is Involved</b>
Step 1: Discussion on the local level	Discussion of the project and alternatives Use of other facilities in the Deanery How does the project serve the community? How does the project address the Pastoral Plan? The work is identified; the scope of the work is determined; there is an estimated cost.	Discussion with the parish and/or school finance committee and building committee.  Discussion with the Deanery.
Step 2: Discussion on the diocesan level	For any item affecting the place of worship environment; review and approval.	Diocesan Environment and Art Committee
Step 3: Discussion on the diocesan level	For any item affecting the school	Superintendent of Schools
Step 4: Discussion on the diocesan level	Review of the Funding Plan.  Review and approval of the Funding Plan. The Bishop will review the recommendations of the Finance Council for approval. Applicant can engage the consultant, architect and/or engineer.	Finance Council and parish, school cemetery or agency; the Bishop
Step 5: Discussion on the diocesan level	Review of the consultant, architect and/or engineer.  Recommendation to the Bishop to approve the selection of the consultant, architect and/or engineer. Approval to proceed with Schematic/Working Drawings	Diocesan Building committee, parish, School/Cemetery or agency, and the Bishop
Step 6: Discussion on the diocesan level	Review and approval of the Working Drawings. Re-evaluation of the probable costs. Review of the Funding Plan.	Building Committee and parish, school, cemetery or agency
Step 7: Discussion on the diocesan level	Review of the probable costs  Review and approval of the Funding Plan.	Finance Council and parish, school, cemetery or agency
Step 8: Discussion on the diocesan level	Working Drawings and all project documents are to be signed by the applicant, consultant, architect, and/or engineer and diocese.  BC written approval to bid the project.	Building Committee and parish, school, cemetery or agency.  Consultant, architect/engineer, diocese
Step 9: Discussion on the local level and diocesan level	Advertise bid and/or invite approved contractors. Conduct a pre-bid job walkthrough. Collect bids/proposals at the Chancery Office.  The Bishop reviews the Building Committee's recommendation and awards the contract.	Parish, school, cemetery or agency; assistance by diocese Finance / Facilities and Building Committee; the Bishop.

Diocese of San Jose  
Financial Policy Manual

<p>Step 10: Discussion on the local level and diocesan level</p>	<p>Sign contracts, obtain certificate-of-insurance Change Orders.  All change orders are to be reviewed and recommended to the Bishop for Approval.</p>	<p>Building Committee, parish, school and the Bishop.</p>
<p>Step 11:</p>	<p>Project reports. Summary of project progress, delays, changes and costs.</p>	<p>Parish, school, cemetery or agency, along with the consultant, architect and/or engineer</p>
<p>Step 12: Local and diocesan level</p>	<p>At project completion; the final report is provided to the Building Committee. The committee recommends accepting the project as complete and filing a Notice-of-Completion. The Bishop will review the recommendations of the building Committee for approval. The consultant, architect/engineer files the Notice-of-Completion. The contract is paid the final retention 45 days after the notice of Completion is filed.</p>	<p>Building Committee; parish, school, cemetery; consultant, architect and/or engineer; the Bishop.</p>



## Exhibit E

### MEMORANDUM

**Date:** March 21, 2006

**To:** Robert Serventi

**From:** John M. Ottoboni, Esq.

**Re:** Diocesan Guidelines for Raffles

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#### Introduction

A raffle is defined as a scheme for the distribution of prizes by chance among persons who have paid money for paper tickets that provide the opportunity to win prizes. In short, a raffle has three essential elements: (1) a prize; (2) distribution by chance and (3) payment of consideration. California Penal Code § 320.5 permits tax-exempt charities to conduct raffles under certain terms and conditions.

The Diocese and Diocesan entities (hereinafter “Diocese”) may conduct a charitable raffle consistent with California Penal Code § 320.5. To do so, the raffle must comply with each of the following elements or fall with the exemption discussed below. The requisite elements are as follows:

1. Each ticket is sold with a detachable coupon or stub and both the ticket and its associated coupon or stub are marked with a unique and matching identifier;
2. Winners of the prizes are determined by draw from among the coupons or stubs described in 1. above that have been detached from all tickets sold for entry in the draw;
3. The draw is conducted in California under the supervision of a natural person who is 18 years of age or older;
4. The raffle may not utilize a gaming machine, apparatus or other devices (such as a slot machine) to award raffle prizes;
5. At least 90% of the gross receipts generated from the sale of raffle tickets for any given draw are used by the Diocese conducting the raffle to benefit or provide support for beneficial or charitable purposes (or may be used to benefit another private nonprofit organization provided that that organization is itself an eligible organization);
6. Under no circumstances can the funds raised by raffles be used to benefit any beneficial charitable or other purpose outside of the State of California;
7. The Diocese may use funds from sources other than the sale of raffle tickets (such as general

Diocese of San Jose  
Financial Policy Manual

funds not related to raffle revenues) to pay for the administrative or other cost of conducting the raffle, including the purchase of a prize; and

8. The raffle may not be advertised, operated or conducted over the Internet. However, the announcement of the raffle may be placed on the website of the organization responsible for conducting the raffle.

Exemption from the Requirements of §320.5

Raffles are considered exempt from the above requirements if each of the following elements is present:

1. The raffle involves a general and indiscriminate distribution of the tickets;
2. The tickets are offered on the same terms and conditions as the tickets for which a donation is given; and
3. The scheme does not require any of the participants to pay for a chance to win.

In this instance, if all the tickets for a drawing are free, and the solicitation of voluntary donations to the organization are in no way connected to distribution of tickets, and this is made clear to all participants then the requirements of § 320.5 do not apply. In short, the availability of free tickets must be prominently advertised in the material promoting the raffle, including promotional literature and banners. The advertising should indicate the location where free tickets may be obtained. Additionally, such information must also be printed on the tickets themselves. Tickets should be given to all who request one without the obligation to make a donation. Please note that common raffle terms such as “buy five, get one free” do not comply with the exemption.