

# 102 General Ledger & Financial Reporting

## 102 GENERAL LEDGER & FINANCIAL REPORTING

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The following section explains various accounting and internal control procedures as they relate to parishes and schools within the Archdiocese of Baltimore. More explanation and information on the components of internal control is [available here](#).

If a parish or school suffers a loss and did not follow the required internal controls, the parish/school will be assessed a higher deductible and risks denial of its insurance claim.

### 102.1 General Ledger:

All parishes and schools shall maintain a computerized general ledger. The Archdiocese selected QuickBooks Online Edition (QBOE) as the standard accounting system for parishes and schools effective July 1, 2014. All Parishes/Schools should be using QBOE as their standard accounting system unless they obtain written approval from the Archbishop.

#### **Procedure:**

- A) The general ledger should contain a complete and accurate accounting of all activity and holdings at the parish/school.
- B) The general ledger should contain a detailed listing of transactions for every account classification used by the organization.
- C) All transactions, activities, assets and liabilities of a parish or school must be accounted for/maintained in the general ledger.
- D) Individuals performing the Accounting function (i.e. Business Manager, Bookkeeper) should be the only individual(s) that have the ability to input entries into QuickBooks Online.
- E) The Pastor/School President/ Principal should be provided “Read-Only” access to QuickBooks Online in order to assist him/her in monitoring the Parish’s/School’s finances.
- F) All entries (i.e. deposits, disbursements, journal entries) should have an adequate description, be supported by adequate documentation (i.e. count sheet, invoice, report, etc.) and be approved by the Pastor/Principal. The Pastor/Principal should sign and date the journal entry to evidence their authorization. All entries and supporting documentation should be retained with the accounting records.
- G) Revenue should be recorded when received unless for services rendered in a future period (i.e. prepaid tuition). Expenses should be recorded when paid unless they apply to services received in a future period (i.e. down payment, capitalized costs, etc.) incurred.

Self-designating funds for future expenses (capital expenditures, poor box disbursements, etc.) is prohibited. This practice does not adhere to proper accounting standards and should be discontinued immediately.

### **102.2 No Netting of Income and Expenses:**

Income and expenses shall never be netted against one another because netting understates both income and expenses and violates a basic accounting principle.

Note: The only exception to the principle of no-netting of income and expenses is in the case of school fundraisers. For more information, please contact the Department of Fiscal Services.

### **102.3 Exchange Account:**

Exchange accounts are not used for parish/school revenue and expenditures. The Exchange account (#2210) should be used only to record receipts and expenditures related to non-parish/school activities (i.e. bus trip, etc.).

#### **Procedure:**

A) The exchange account should never be used to record Parish or School income and expenses.

B) The account should be recorded on the general ledger and should be clearly marked or otherwise analyzed to show the offsetting receipts and expenditures.

### **102.4 Trial Balance:**

A trial balance - typically, a report found in the general ledger system providing the number, name and balance on each account in the general ledger — shall be maintained on a monthly and annual basis.

#### **Procedure:**

A) Accounts with debit balances should be listed in one column, while accounts with credit balances are listed in an adjacent column.

B) The total of the accounts with debit balance must equal the total of the accounts with credit balances.

C) All asset and liability accounts on the general ledger should be reconciled monthly and/or quarterly to supporting documentation (e.g., 3rd party statements- AoB, Bank, Investment, schedules/reports, invoices, receipts, etc.) in QuickBooks Online. Any reconciling items should be researched and resolved in a timely manner. In addition, the Pastor/School President/Principal should review and sign/date all reconciliations.

### **102.5 Notes Receivable/Payable:**

All notes receivable, notes payable, debenture payable, mortgage payable, etc. shall be set

up in the general ledger as their own individual accounts.

**Procedure:**

Each asset or liability must have appropriate documentation to support its current balance.

**102.6 Liabilities (Debt):**

When the mortgage payable or notes payable (liability) is set up in the general ledger, payments on the mortgage or loan must be applied to reduce this payable.

**102.7 Recording of Special Collections Funds:**

Monies received from Special Parish Collections such as drives to defray the cost of repairing or repainting the church or rectory, decorations for holidays, or other festive occasions, school collections, fuel collections, etc., shall be recorded in account #4050 - Special Collection Funds for Operating Needs. Note, special collections to reduce a mortgage balance must receive written exemption from the Archbishop in order to be tax-exempt.

**102.8 Recording of Special Approved Campaign Funds:**

Proceeds from a special campaign for new construction or major renovations shall be recorded in account #4150 - Special Approved Campaign Funds. A special campaign must be limited to a definite period of time and dollar goal, and must have prior written approval of the Archbishop.

Note: Parish/Schools should develop a process to adequately track funds received and spent (i.e. sub-account, separate bank/IPLF account) to ensure that funds are used for the appropriate purpose.

**102.9 Recording of Capital Campaign Funds - Parish Share & Grants:**

The parish share from Capital Campaigns and any Grants shall be recorded in account #4151 - Archdiocesan Capital Campaigns - Parish Share & Grants Received. Parishes that are self-administering the Capital Campaign should show their net parish share in this account.

**102.10 Recording of Lenten Appeal Rebates & Grants:**

The rebate to the parish of 25% of the Lenten Appeal funds raised as well as Lenten Appeal Grants must be recorded in account #4160 - Lenten Appeal Rebates & Grants.

**102.11 Recording of Donations and Gifts:**

Donations, gifts, and bequests received shall be recorded in the general ledger and posted according to the following procedures.

**Procedures:**

A) General donations, gifts, and bequests lacking a specific purpose or use of the funds should be posted to account #4220.

B) Donations, gifts, and bequests received that specifically state the donor's intended use of the funds and their use is for Non-Operating Expenses (i.e. extraordinary repairs or capital expenditures) should be posted to #4720 - Specific Bequests under a Will, or #4370 Specific Gifts/Grants Restricted for Non-Operating Use.

C) Gifts in Kind (in lieu of cash) should not go unrecorded. The Donation Income and Other Expense (depending on the church expense paid) accounts should be increased. The books should reflect every church expense paid by the parish or for it, and every donation as income, whether received in actual dollars or in-kind, such as fixed assets, supplies, or repairs.

### **102.12 Property, Plant, and Equipment (Fixed Assets):**

Fixed assets shall be posted according to the following procedures.

#### **Procedure:**

A) Fixed Assets, such as furniture, fixtures, machinery, equipment, building, and building improvements and extensions are recorded in account #5930 - Capital Expenditures in the Church, account #5500 - Capital Expenditures and New Non-Instructional Equipment in the School, or account #5080 - New Instructional Equipment in the School.

B) Supporting records should be kept for each capital expenditure category of fixed assets, such as Furniture & Fixtures, Machinery & Equipment, Building, Land, and Building Improvements. These supporting records should reflect the date of expenditure, vendor name, asset description and cost of each fixed asset item purchased.

C) If the Parish/School elects to capitalize fixed assets, they must maintain accounting records that indicate the date the asset was purchased, the description of the asset and the cost of the asset. In addition, the fixed assets should be recorded in the proper general ledger account and they should be depreciated based on AoB guidelines. See Church/School Chart of Accounts (in the right hand Additional Resources Menu).

D) The Parish/School should file separately any invoices, receipts, warranties, etc. related to any capital purchases with warranties associated with them.

E) The Parish/School should have all contracts and leases reviewed by the AoB Director of Risk Management, and if necessary, Gallagher, Evelius and Jones.

### **102.13 Reporting to AoB**

#### **Procedure:**

A) Parishes/Schools should ensure that Archdiocesan financial reports are submitted timely and that they agree to the Parish's internal financial statements (i.e. reconciliation process) before submission. The quarterly financial reports (Parishes Only) are due 30 days after the end of each quarter and the annual financial report is due by August 15th of each year.

B) The Pastor/Principal or Finance Committee Chairman should reconcile the Parish's/School's internal financial statements to the Archdiocesan Financial Reports before they are submitted to AoB. This reconciliation should be documented, signed/dated by the preparer and maintained in the accounting records.

#### **102.14 Annual Reporting to Parishioners (Parishes Only)**

##### **Procedure:**

A) The Parish should ensure that an annual reporting is given to the parishioners within 90 days after the end of each fiscal year. This report should include all Operating and Non-Operating Income and Expenses. A copy of the information communicated to parishioners (i.e. data, date, media, etc.) should be maintained at the Parish.

B) The Pastor or Finance Committee Chairman should reconcile the Parish's internal financial statements to the Annual Financial Report provided to parishioners before the information is communicated to parishioners. This reconciliation should be documented, signed/dated by the preparer, and maintained in the accounting records.

#### **102.15 Annual Reporting - MD Form 1 (Annual Report and Personal Property Return)**

The Parish/School should retain a copy of the Maryland Form 1 after it is filed (due each year by April 15th). In addition, the Parish should ensure that the following individuals are listed as officers/directors on the Maryland Form 1:

- President - Archbishop
- Vice President - Vicar General (Territorial Vicar)
- Secretary- Pastor
- Treasurer - Pastor
- Directors — All Corporators, Archbishop, Territorial Vicar, and Pastor

##### **Incorporated/ACS Schools**

- President - School Board Chair
- Vice President - School Board Vice Chair
- Secretary- School Board Secretary
- Treasurer - School Board Treasurer
- Directors - All School Board members