

Category Number	100
Category Name	Cash Management
Procedure Number	3
Name of Procedure	Accounting for recurring activity of parish auxiliary groups
Section	1
Effective Date	8/27/2012
Supersedes	N/A
Responsibility	Parish bookkeeper, POASC Administrator
Applicability	Accounting Service Center or parish
Source Document	AOC-Business Administration – Best Practices, Policy Book V – Temporal Goods; Annual Financial Report procedures
Related Forms	Adding new or previously excluded parish auxiliary bank accounts – Procedure Number 2

I. Purpose:
 Parish financial statements should be all-inclusive. That is, they should reflect all activity related to all parish accounts, so that the readers of the financial statements (e.g. pastors, principals, finance committee members, parishioners) have an accurate and complete picture of the parish’s financial position.

II. Definitions:
Auxiliary organization is any group (church or school related) that performs ministry in the name of the parish and/or school. Auxiliary groups are accountable to the pastor and use the parish’s federal tax identification number. The organization may operate a bank account in conducting their ministry, at the pastor’s discretion. Some examples of auxiliary organizations include, but are not limited to, Men’s or Women’s clubs, Youth Ministry, Seniors Club, Family-School associations, and Manna (gift certificate) programs.

QuickBooks reporting file is the company file used by the Parish and/or School for all their required reporting to the Pastoral Center.

- III. Policies:
- a. Parish organization bank accounts shall be identified in the Parish Annual Report.
 - b. An Annual Report shall be made by the auxiliary organization to the Pastor based on the events that have taken place during the past year.

- c. The Annual Report shall include both the financial results and activities of the parish organization.
- d. Funds which remain in the organization's account shall be used for the purposes for which they were raised.
- e. The auxiliary organization should transfer any excess funds remaining at the end of the year (more than what is needed to begin the next year's fiscal activities) to the parish.

IV. Procedures:

- a. An annual report of income and expenses should be submitted by the auxiliary organization to the Pastor at the end of each fiscal year (a sample form is available on the Archdiocese of Chicago web site under the Financial Services department).
- b. For Auxiliary groups with a significant amount of transactions, it may be appropriate to create a separate QuickBooks company accounting file that is used to record transactions. This may not be necessary with smaller organizations or if the parish is recording every transaction in the QuickBooks reporting file.
- c. Excess funds (those more than the amount needed to begin next year's activities) in auxiliary accounts should be transferred to the parish operating bank account to be used for ministerial purposes at the parish's discretion.
- d. If applicable, the auxiliary organization bank account must be reconciled each month by the Group Treasurer. The reconciliation should be submitted to the parish office for review.

V. The Archdiocese of Chicago offers three options for recording activity of a Parish or School Auxiliary Group in QuickBooks. The options are:

- a. The net results method – suggested for Auxiliary groups with separate bank accounts and a significant volume of transactions. In this situation, the Auxiliary group is typically maintaining detailed records separately.
- b. The detailed P&L method (in QuickBooks reporting file) – suggested for Auxiliary groups with separate bank accounts and for which the parish or school can offer timely processing of checks, deposits and reporting to the Auxiliary organization.

- c. The liability account method – suggested for Auxiliary groups that have limited accounting resources and where the group’s primary activity is focused on one event per year (e.g. a Fall Festival to raise money for a graduation trip)

Option 1 - Net Results –

Once the reconciliation is received from the Group Treasurer, the parish bookkeeper records the net activity in the account for that month as a journal entry in QuickBooks. This ensures that the bank account balance reflected on the parish financial statements is accurate. This is the minimum level of detail required in the financial records of the parish.

Income for auxiliary organization accounts is recorded in class code 30, Auxiliary Groups, and is not subject to the parish assessment by the Archdiocese. To record the net activity in the account:

- a. If the net change for the period is an increase in the bank account:

DR.113X	Auxiliary bank account	\$XXX
CR.360X	Auxiliary group income – class 30	(\$XXX)

- b. If the net change for the period is a decrease in the bank account:

DR.360X	Auxiliary group income – class 30	\$XXX
CR.113X	Auxiliary bank account	(\$XXX)

- c. For example, if the Athletic Association bank account balance was \$2,000 at March 31, 2012 and \$5,000 at April 30, 2012, the journal entry recorded in the Parish QuickBooks file for April would be:

DR.	1131	Athletic Assn. Bank account	\$3,000
CR.	3605	Athletic Assn. - class 30	(\$3,000)

- d. At the end of the year, the auxiliary organization should write a check from their bank account or transfer the funds to the appropriate parish operating account for amounts given to the parish for general operating purposes.

- e. If the parish is recording auxiliary on a net basis, the check would be incorporated in the monthly journal entry to reflect the net change in the account. The check would be deposited to the parish operating account, using the

Auxiliary organization income account (360X) in the “From Account” field and class code 10. The deposit offsets the check from the auxiliary organization account. The net impact on income is zero although the income is reclassified from the auxiliary fund to the church fund.

Refer to Exhibit 1 for a summary of the entries and the impact on each general ledger account.

Option 2 - Detailed P&L

Parishes may choose to record every detailed transaction related to the Auxiliary Group in the QuickBooks reporting file for the Parish. The activities should be recorded using class code 30 or an appropriate sub-Class Code. For School Auxiliary Groups, activity may be recorded to the 3600 account series within the respective school class codes.

If the parish is recording all auxiliary group transactions in the QuickBooks reporting file using Class Code 30 or an appropriate sub-Class Code, the ongoing checks and deposits are recorded in QuickBooks.

The excess amount at the end of the year should be transferred to the Parish for general operating purposes by check or bank transfer. It should be recorded as an expense to Class Code 30 and the deposit to the parish operating account should be recorded to Class Code 10.

Refer to Exhibit 1 for a summary of the entries and the impact on each general ledger account.

Option 3 - Liability Account

If the parish operating account is the repository for the auxiliary group funds, then the amounts that have been collected but not yet disbursed, should be tracked in 2550 Unspent Auxiliary Group Funds (Other Current Liability) or an appropriate sub-account. Any amounts that are for general operating purposes of the parish should be recorded via general journal entry as income to account 3600 and Class Code 10 with an offsetting entry to the correct Auxiliary Group liability account.

Refer to Exhibit 1 for a summary of the entries and the impact on each general ledger account.

VI. References and Related Policy:

- Archdiocesan Best Practices
- Pastor's Representation Letter
- Auxiliary organization bank account information form (see DOF website)
- Auxiliary organization financial report (see DOF website)
- Exhibit 1 – Recording Recurring Auxiliary Group Activity – Example Journal Entries and Transactions

Exhibit 1
Accounting for Recurring Activity of Parish Auxiliary Groups
Example J/E and Transactions

Option	Name of Method	Record Recurring Activity in Parish/School QuickBooks Reporting file			At the End of the Year Record Check or Transfer from Aux. Group Account/Liab			Record Deposit in Operating Account for General Operating Purposes		
		Class Code	Account	Description	Class Code	Account	Description	Class Code	Account	Description
1	NET	30	360X	Debit /(Credit)	30	360X	Debit	10	1101	Debit
		30	113X	(Credit)/Debit	30	113X	Credit	10	360X	Credit
2a	DETAILED P&L	30	Multiple	Checks/(Deposits)	30	360X	Debit	10	1101	Debit
		30	113X	(Credit)/Debit	30	113X	Credit	10	360X	Credit
2b	DETAILED P&L (SCHOOL)	50	Multiple	Checks/(Deposits)	50	360X	Debit	10 or 50	1101 or 1103	Debit
		50	1103	(Credit)/Debit	50	1103	Credit	10 or 50	360X	Credit
3	LIABILITY	10	1101	Debit/(Credit)	10	360X	Credit	N/A	N/A	N/A
		10	2550	(Credit)/Debit	10	2550	Debit	N/A	N/A	N/A