

Category Number	600
Category Name	General Ledger
Procedure Number	1
Name of Procedure	Recording Archdiocesan Loans, Invoices and Payments
Section	1
Effective Date	3/1/2008
Supersedes	N/A
Responsibility	POSC Administrator, Business Manager
Applicability	POSC or Parish
Source Document	GAAP
Related Forms	Loan Agreement; Chart of Accounts; Examples 1-4

- I. Purpose:
 Record operating/capital loans and related invoices properly to report the amounts of loan interest expense, past due principal and interest, and total unpaid loans within the periodic and year-end financial statements. This will ensure the readers of the financial statements (e.g. Finance Council, parishioners, auditors, etc.) are provided with sufficient information to evaluate the current financial position of the parish or school. This method of accounting for the loans is more closely in accordance with the accrual basis.
- II. Definitions:
Loan
 Operating or Capital Loan provided to parish/school by the Archdiocese.
- Loan Invoice*
 Archdiocesan loan invoice sent on a monthly basis to each school or parish with an outstanding operating or capital loan.
- III. Policy:
 Loans and related loan invoices must be recorded in QuickBooks when received and paid in accordance with the applicable loan terms.
- IV. Procedures:
1. Confirm the loan has been properly recorded in QuickBooks. This step should be completed one-time for EACH loan. As described in the Chart of Account Guidelines, it is advisable to set up additional accounts if you have multiple loans. Each loan should have it's own account number and should be set-up as a sub-account of 2313. For instance, the first loan should be 2313.01, the second loan should be 2313.02, etc.
 - a. Ensure the Principal Balance (A) on the loan invoice (Example 1) agrees with the amount per the general ledger for EACH loan.
 - b. Is the loan current (i.e. Past Due Principal and/or Interest (B)=\$0) on the loan invoice (Example 1)?
 - i. If yes, proceed to step 2.

- ii. If no, a journal entry must be completed to reclass the portion of EACH loan which is past due (principal and interest) to a new account, Principal and Interest Due and Payable on Loan (Account # 2313). See Example 2 for an illustration.
 2. Upon receipt of a loan invoice(s) (See Example 1), the Administrator/Business Manager should verify the following for EACH loan:
 - a. Ensure the total Past Due Principal and Interest (B) for each loan agrees with the amount per Principal and Interest Due and Payable on Loan (account # 2313, 2313.1, 2313.2, etc.), if applicable.
 - b. If differences exist, the Administrator/Business Manager should work with the Parish/School and the Archdiocesan Bank to resolve any discrepancies before proceeding.
 3. Determine if invoice will be paid in full.
 - a. If the invoice is going to be paid in full when due, the current invoice should be recorded as a bill in QuickBooks (See Example 3) with interest charged to the appropriate expense account (4601/4602) and the current principal due charged (debit) to the appropriate loan payable account (2601/2650, etc.) with the following convention for the reference number:
xxxxxxx (ACCT. NUMBER)-mmddyy (PAYMT. DUE DATE)
 - b. If the invoice is going to be partially paid or deferred, the current invoice should be recorded as a journal entry in QuickBooks (See Example 4)
 - i. The interest should be recorded to expense (debit) and the principal portion of the current payment due charged to the loan payable account (debit) with the offsetting credit to Principal and Interest Due and Payable on Loan (account # 2313, 2313.1, 2313.2, etc.).
 - ii. When the invoice is paid, the invoice/check should be coded to Principal and Interest Due and Payable on Loan (account # 2313, 2313.1, 2313.2, etc.).
 - c. As a result of the above procedures, the profit & loss statement will highlight all interest expense, including any unpaid amounts. Procedures and examples for year-end accounting will be included with the annual report instructions.
- V. References and Related Policy:
 - Loan Agreement
 - Updated Chart of Accounts
 - Examples 1-4



ARCHDIOCESE OF CHICAGO
 P.O. BOX 1979
 CHICAGO, ILLINOIS 60690-1979

LOAN INVOICE

EXAMPLE 1

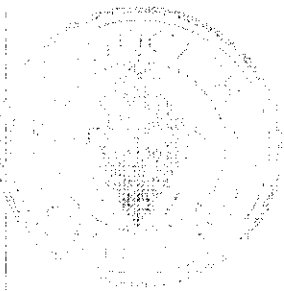
PARISH NAME
 PARISH ADDRESS
 PARISH CITY, STATE ZIP

ACCOUNT NUMBER 7007 XXXXX
 PAYMENT DUE DATE 2/01/08
 PRINCIPAL DUE 3,165.04
 INTEREST DUE 587.62
 TOTAL CURRENT DUE 3,752.66
 PAST DUE PRINCIPAL 72,415.49
 PAST DUE INTEREST 13,894.39
 TOTAL PAST DUE 86,309.88
 TOTAL AMOUNT DUE 90,062.54

STATEMENT DATE 1/04/08 PLEASE RETURN TOP PORTION OF STATEMENT WITH YOUR PAYMENT - PAYABLE TO CATHOLIC BISHOP OF CHICAGO PAGE 1

ACCOUNT NUMBER	7007XXXXX	PAYMENT DUE DATE	2/01/08
PRINCIPAL BALANCE (A)	112,573.27	PRINCIPAL DUE	3,165.04
INTEREST THRU 2/01/08	14,482.01	INTEREST DUE	587.62
PAYOFF THRU 2/01/08	127,055.28	TOTAL CURRENT DUE	3,752.66
INTEREST RATE	6.2500%	PAST DUE PRINCIPAL	72,415.49
INTEREST PAID FISCAL YTD	.00	PAST DUE INTEREST	13,894.39
MATURITY DATE	12/01/08	TOTAL PAST DUE (B)	86,309.88
		TOTAL AMOUNT DUE	90,062.54

DATE	DESCRIPTION OF TRANSACTIONS	AMOUNT	BALANCE
	BEGINNING BALANCE		112,573.27



Send Payments To:

The Catholic Bishop of Chicago
 Attn: Parish Operations
 P.O. Box 1979
 Chicago, IL 60690-1979

If you have any questions regarding your accounts, please call 312-751-8222

EXAMPLE 2

**ARCHDIOCESE OF CHICAGO
POLICIES AND PROCEDURES
ATTACHMENT TO PROCEDURE FOR RECORDING ARCH LOANS
AND RELATED INVOICES/PAYMENTS**

Example Journal Entry for Recording Unpaid Principal and Interest

Account Number	Account Description	Debit	Credit
4601	Interest Expense	\$13,894.39	
2601	Operating Loan Past Due Payments	\$72,415.49	
2313	Loan Due and Payable		\$86,309.88

Example 3

Ascension (new) - QuickBooks: Premier Accountant Edition 2007

File Edit View Lists Accountant Company Customers Vendors Employees Banking Reports Window Help Special Offers

Home Customer Center Vendor Center Employee Center Report Center MemTx Backup Check Reg COA Search Rmnd Find Support Calc 1101 Op

Enter Bills Type a help question Ask How Do I?

Previous Next Find History Journal

Bill Credit Bill Received

Bill

Vendor: Catholic Bishop of Chicago Date: 02/01/2008

Address: Catholic Bishop of Chicago
P.O. Box 1979
Chicago, IL 60690

Ref. No.: 7007XXXX-0101XX
Amount Due: 3,752.66
Bill Due: 02/01/2008

Terms: Memo:

Expenses: \$3,752.66 Items: \$0.00

Account	Amount	Memo	Customer Job	Bill	Class
4601 · Interest E...	587.62	Current Month Interest			10 Church
2601 · Operating...	3,165.04	Current Month Principal			10 Church

Clear Spills Recalculate Save & Close Save & New Clear

Company

- Chart of Accounts
- Items & Services
- Marketing Tools
- Banking
 - Record Deposits
 - Reconcile
 - Write Checks
 - Check Register

Account Balances

Name	Balance
1100 · Cash	557,264.25
1101 · Operati...	214,821.00
1102N · Payroll	0.00
1103N · Buildin...	174,966.51
1104N · Saving...	0.00
1105N · Stipen...	5,171.80
1106N · Shoppi...	7,618.70
1107 · Alumni A...	151,330.38
1120 · School L...	3,355.86
1200 · Oper. S...	68,360.50
1201 · Reg Op...	0.00
1202 · Stock/M...	68,360.50
1250 · Other O...	0.00

Get Started

- QuickBooks First Steps
- Customize QuickBooks

Learn About Services

- Pay your employees
- Accept credit cards

Start Ascension (ne... Microsoft Exce... Procedure Re... Document2 (Pr... 3:04 PM

EXAMPLE 4

ARCHDIOCESE OF CHICAGO
POLICIES AND PROCEDURES
ATTACHMENT TO PROCEDURE FOR RECORDING ARCH LOANS
AND RELATED INVOICES/PAYMENTS

Example Journal Entry for Recording Unpaid Loan Invoice

Account Number	Account Description	Debit	Credit
4601/4602	Interest Expense	\$587.62	
2601/2650	Operating/Capital Loans	\$3,165.04	
2313	Loan Due and Payable		\$3,752.66