

Draft Parish Financial Reporting Policy

NOTICE: This document is being distributed to the Diocese of the Midwest for comment. It does not reflect the final policy.

1. PURPOSE

The purpose of this document is to describe the general-purpose format and content of annual Financial Reports to be provided to the Diocese of the Midwest (DOM), a diocese of the Orthodox Church in America (OCA). These reports provide relevant information to meet the common interest of donors, members, and others who provide resources to parishes, including the DOM and the OCA.

2. SCOPE

- a. This policy applies to all ecclesiastical entities of the DOM, including but not limited to, chapels, monasteries, missions, and parishes. For the purposes of this policy, except when explicitly noted, where the term “parish” is used, it is intended to apply to the ecclesiastical entities as defined in this paragraph.
- b. This policy adopts the “Statement of Financial Accounting Standards No. 117” standard from Financial Accounting Standards Board of the Financial Accounting Foundation, (www.fasb.org/pdf/fas117.pdf) for general-purpose financial statements which are to be provided by a not-for-profit organization. It specifies that those statements include a statement of financial position, a statement of activities, and a statement of cash flow. These statements vary based on the use of “cash basis accounting” or “accrual basis accounting”. For this policy, a statement of cash flow is optional, but recommended, at the discretion of each parish.

3. POLICY STATEMENT

- a. Parishes shall maintain current and accurate financial records and issue timely reports on the financial condition of the parish. More specifically, reports are to provide information about:
 - i. The amount and nature of parish assets, liabilities, and net assets (equity).
 - ii. The effects of transactions and other events that affect the amount and nature of different types of net assets. At a minimum, parishes shall report the amounts for each of three classes of net assets: (1) permanently restricted net assets, (2) temporarily restricted net assets, and (3) unrestricted net assets based on the existence or absence of donor-imposed restrictions.

- iii. The amount and kinds of inflows and outflows of economic resources during a period and the relationship between the inflows and outflows.
- iv. How the parish obtains and spends cash, its borrowing and repayment of borrowings, and other factors that may affect liquidity.
- b. This policy requires that financial reports are to be provided to the DOM at the end of each parish's fiscal accounting year. These reports must be accompanied with the Percentage Assessment Calculation Sheet prescribed in the DOM "Parish Assessment Policy".
- c. This policy requires that cash or other assets received with donor-imposed restrictions that limit their use to long-term purposes, shall not be classified with cash or other assets that are unrestricted and available for current use.

4. DEFINITIONS

Cash Basis Accounting versus Accrual Accounting - The main difference between **accrual** and **cash basis accounting** is the timing of when revenue and expenses are recognized. The **cash** method is most used by small businesses and for personal finances. The **cash** method accounts for revenue only when the money is received and for expenses only when the money is paid out. Under the **accrual basis**, revenues and expenses are recorded when they are earned, regardless of when the money is actually received or paid. This method is more commonly used than the **cash** method.

Statement of Financial Position – Provides relevant information about liquidity, financial flexibility, and the interrelationship of parish assets and liabilities. That information is provided by aggregating assets and liabilities that possess similar characteristics into reasonably homogeneous groups. For example, cash and cash equivalents, accounts receivable, deposits and prepayments, marketable securities and other investment assets held for long-term purposes, land, building, equipment, other long-lived assets, payables, and other obligations of the parish.

Donor Restricted or Unrestricted Net Assets – Restricted net assets may have separate line items reported within temporarily restricted net assets (equity), or in notes to financial statements, to distinguish between different restricted funds. Donors' restrictions may require that resources be used in a later period or after a specified date, or that resources be used for a specific purpose, or both. Unrestricted net assets generally result from unrestricted donations, gifts, bequest, dividends and interest on unrestricted funds, provided services, and delivered goods less associated expenses.

Statement of Activities – Provides relevant information about (a) the effects of transactions that change the amount and nature of net assets, (b) the relationship of those transactions

to each other, and (c) how the parish's resources are used in providing various programs and services. This statement focuses on the parish as a whole and reports the amount of the change in net assets for the period (income less expense). A statement of activities reports the amount of change in permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets.

Statement of Cash Flow – Provides relevant information about the cash receipts and cash payments of the parish during a period.

5. RESPONSIBILITIES

DOM Diocesan Council

- i. Receives and, if necessary, acts upon compliance issues brought to its attention by the Treasurer and/or Finance Committee.
- ii. Initiates revisions to this policy, as needed.

DOM Finance Committee

- i. Audits financial reports from parishes for compliance to this policy.
- ii. Assists parishes needing help to implement best practices.
- iii. Compares parish financial reports with the Parish Assessment Calculation Sheet and forwards discrepancies to the DOM Treasurer.

DOM Treasurer

- i. Coordinates and implements this policy in a consistent manner.
- ii. Supports and trains parish treasurers on this policy.
- iii. Reviews reporting concerns from the DOM Finance Committee.
- iv. Reviews the Finance Committee discrepancies report and develops recommendations to the Diocesan Council for action.

DOM Deanery Dean

- i. Confers with parish rectors when reports are not remitted in a timely manner.

Parish Treasurer

- i. Prepares fiscal year-end financial reports in accordance with this policy, and submits to the DOM Treasurer.

6. FINANCIAL REPORT CONTENT SUGGESTIONS

The Parish Council should determine the amount of detail required to allow them to adequately assess the financial position of the parish.

Operating Income & Expense Report (P&L)

Income:

- General Donations
- Pledges
- Fundraising
- Rentals
- Cemetery operations
- Candles
- Bookstore
- Dividends, interest, realized gain on sale of investments
- Pass through income, if recorded in income (e.g., a targeted charity or a reimbursement)
- Other categories, as required by parish

Total Income

Expenses:

- Salaries
- Benefits
- Stipends
- Office Supplies
- Worship Supplies
- Property (maintenance/insurance/taxes/mortgage interest)
- Depreciation (on fixed assets recorded on balance sheet)*
- Utilities
- Fundraising
- Rentals
- Professional Fees (legal/accounting)
- Banking, investment fees and expenses
- Travel, conferences, & meetings
- Hospitality
- Assessments (Diocese and OCA)
- All American Council
- Cemetery Operating
- Candle (may be actual or net candle expense)
- Bookstore (may be actual or net bookstore expense)
- Pass through expense, if recorded as expense (e.g., charity or expense that will be reimbursed)
- Charity
- Other categories, as required by parish

Total Expense

***Generally not required when using “cash basis” accounting**

Donor Restricted Fund <name> Income and Expense Report

Beginning Balance

Income

Donations to Fund

Fundraiser

Dividends, interest, realized gain on sale of investments recorded in restricted fund

Other categories, as required by parish

Total Income

Expenses

Banking, investment fees and expenses recorded in restricted fund

Expenses paid from fund (categories defined by parish)

Total Expense

Net Income

Ending Balance

Board Directed Fund <Name> Income and Expense Report

Beginning Fund Balance

Income

Dividends, interest, realized gain on sale of investments recorded in restricted fund

Other Income

Total Income

Expenses

Banking, investment fees and expenses recorded in restricted fund

Expenses paid from fund

Total Expenses

Net Income

Transfers in from operating fund

Transfers out to operating fund

Ending Balance

Consolidated Balance Sheet (Operating, Donor Restricted, and Board Directed Funds)

Current Accounting Period & Previous Accounting Period

Assets:

Checking

<Bank name> Checking Account 1

<Bank name> Checking Account 2 ...

Savings

<Bank name> Savings Account 1

<Bank name> Savings Account 2 ...

Brokerage

<Brokerage name> Account 1

<Brokerage name> Account 2...

CD

Stocks and Bonds

Land (purchase cost plus capital improvements)*
Buildings (Cost plus capital improvements)*
Accumulated depreciation*
Other categories, as required by parish

Liabilities*:

Credit Card Balance
Pass Through (Only when income and expense is NOT recorded in the P&L)
Outstanding Bills
Reserves for expenses committed but not paid
Reserves for expenses anticipated (that are likely to occur and reasonably able to quantify
[*Purpose*])
Other categories, as required by parish

***Generally not required when using “cash basis” accounting**

Equity - Net Assets (Assets less Liabilities):

Donor Restricted
 Permanently
 Permanently Restricted Fund <name 1>
 Permanently Restricted Fund <name 2> ...
 Temporarily
 Temporarily Restricted Fund <name 1>
 Temporarily Restricted Fund <name 2> ...
Board Directed Fund <name 1> [*Purpose*]
Board Directed Fund <name 2> [*Purpose*] ...
Unrestricted
Other categories, as required by parish