

DIOCESE OF WINONA FINANCE TIMES

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For Parishes, Schools and Cemeteries throughout the Diocese of Winona

CONTINGENCY PLANNING IN DIFFICULT ECONOMIC TIMES

Recently, many of you attended our finance seminars on “Effectively Managing Your Budget” and “The Role of Parish Finance Councils.” In light of the recent downturn in our economy it might be prudent for parishes to develop a contingency plan in the event that economic conditions become weaker than had been expected at the time when you developed your budgets.

A contingency plan is a series of pre-planned action steps that would be implemented in the event that revenues were to fall below budget estimates. The keys to effective contingency planning are that action steps be thought out in advance and that they be implemented on a timely basis, preferably even before the decline in revenue actually occurs.

The action steps could fall into three categories:

- a) Revenue enhancements
- b) Expense reductions
- c) Asset reductions

Revenue enhancements would include actions such as a direct appeal from the pulpit explaining the financial circumstances and asking for additional support. It could also include a full-fledged Offertory campaign,

although that would take longer to implement.

Expense reductions will likely focus on administrative expenses or on operations/maintenance expenses, which are generally the two largest categories. Logos Accounting has the ability to export expenditure reports directly to spreadsheet format, allowing for detailed research on operating expenses from year to year. Existing reports available with in the program can display up to two years side by side; custom reporting within the program can expand the comparison across multiple years. Use the data to identify significant shifts or trends in expenses, signaling an opportunity for further investigation. Seek ways to collaborate (e.g. shared maintenance contracts, shared ministries, etc.) with other parishes within the cluster or city.

Finally, we recommend looking at reducing fixed costs, including buildings, property and equipment. Reduction of those items can often lead to reduction in other expenses such as insurance or maintenance.

The important thing is to put plans in writing and to act in a timely fashion.

FINANCE SEMINAR PRESENTATION AVAILABLE AT DOW.ORG

Alan Erickson and Michael Schaefer of Catholic Finance Corporation (Archdiocese of St. Paul & Minneapolis) joined the Diocese of Winona Finance Office on February 17 & 18, 2009 to present **Effectively Managing Budgets** and to review the **Role of Finance Councils**.

Thank you to all who participated in the workshop. Over the course of three sessions across the diocese, nearly 100 people from 48 parishes and/or schools attended the workshop!

If you missed the workshop, or if you need an extra copy of the materials, the presentations are available for download online at: www.dow.org/finance.html.

The short video, “*Did you Know v 3.0*” at the beginning of Catholic Finance Corporation’s presentation is available via public video sharing websites, e.g. **YouTube**: www.youtube.com/watch?v=jpEnFwiqdx8



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BENEFITS & HUMAN RESOURCES - COBRA

The economic stimulus package, known as the American Recovery and Reinvestment Act, signed on 2/17/09 by President Obama contains significant changes to COBRA continuation rules for health care coverage. Under these rules, a temporary COBRA premium subsidy is available to individuals whose employment was/is involuntarily terminated between 9/1/08 and 12/31/09 and who lost their health care coverage because of the involuntary termination of employment. The subsidy, which is funded by the federal government, will pay 65% of the monthly COBRA premium and can be provided for a maximum of nine months. This subsidy is available to involuntarily terminated employees who have already elected COBRA. Involuntarily terminated employees who initially rejected COBRA coverage have the opportunity to reconsider their COBRA election and take advantage of this subsidy also.

The Diocese of Winona contracts with a third-party administrator, Corporate Health Systems (CHS), to comply with COBRA

regulations. CHS will be providing the required notices to those former employees who are eligible for this subsidy and have already made a COBRA election. CHS will also be providing new COBRA election notices to those eligible former employees who initially rejected COBRA coverage. These employees will now have the opportunity to elect COBRA effective March 1, 2009, and receive the 65% subsidy.

We are in the process of compiling the lists to provide to CHS of the former employees who are eligible for this benefit. Parishes/schools who have had workers leave employment September 1, 2008 and later will soon be contacted to obtain information about those employees. It will be necessary for you to supply documentation as to why the worker left employment. In most cases, that will either be a letter of resignation from the employee or a letter from the parish/school terminating the employment relationship.

RISK MANAGEMENT - WRONGFUL TERMINATION

In the majority of states, including Minnesota, employees not working under an employment contract are deemed to be "at-will." At-will employees may be terminated for any reason, so long as it's not illegal. There are numerous illegal reasons for termination. Typically such reasons fall into one of two large categories: illegal discrimination or illegal termination in violation of a public policy. Generally, employees who work under an employment contract can only be terminated for reasons specified in the contract.

Due to the litigious nature of our society and the growing sophistication of the workforce, claims and litigation have increased regarding human resource issues involving alleged employee wrongful termination and/or discrimination.

Specific procedures should be in place and followed prior to terminating any employee whether or not an employment contract is issued. Pastors, principals, managers and supervisors can take the following steps to avoid Wrongful Termination losses:

- Standard job applications, performance evaluations, and probation/disciplinary procedures should be used with all employees.
- Before hiring, conduct thorough interviews, check references, and as appropriate for the position, the following background checks should be conducted: criminal, vehicle operation, and credit.

- After hiring, put all employment matters (positive, negative and neutral), in writing.
- Give a copy of personnel policies to each employee and obtain a signed acknowledgement of receipt.
- Write a job description for each position and make sure each employee has a copy of his or her own job description.
- Conduct routine performance evaluations. Throughout the year, discuss any problems with the employee and give him or her the opportunity to improve in the deficient area. All problems should be documented and placed in the employee's personnel file.
- Develop and use written termination procedures.
- Catholic Mutual's insurance coverage requires - prior to a dismissal, discharge or termination - that you have sought and followed the advice of a qualified attorney.

For more information, contact:

- Ryan Christianson
Catholic Mutual Group Risk Management Office
(800) 494-6452
e-mail: rchristianson@catholicmutual.org or
- Krissa Hilger
Diocese of Winona Employee Benefits & H/R Manager
(507) 454-4643
e-mail: khilger@dow.org.

INTERNAL CONTROLS - HANDLING SCRIP

SCRIP can be an excellent fundraiser if it is properly handled and safeguarded. Since SCRIP is an alternative form of currency, it should be treated as cash. Accordingly, parishes should practice sound internal control procedures in the handling of SCRIP:

Volunteers should not take SCRIP home for delivery. Parishioners participating in the program should pick up SCRIP at the parish in a centralized location. SCRIP can be sent home from school with a person's son or daughter if the person signs a waiver providing the parish permission to do this. A sample waiver letter is available online at <http://www.dow.org/documents/AppendixA26.pdf>

SCRIP should be stored in a safe which is locked at all times. The safe should be kept in a non-obvious, secure area on parish premises.

A large inventory of SCRIP should not be maintained. SCRIP can be received from the National SCRIP Center (or other SCRIP clearinghouses) in one day by airmail. Parishes should only order the amount of SCRIP that has been requested by program participants.

Adequate bookkeeping that tracks the purchase and distribution of SCRIP is required. At least two people should have dual responsibility for the maintenance of SCRIP records. When a parish receives an order of SCRIP, serial numbers should be recorded. In the event that SCRIP would be lost or stolen, the recording of the serial numbers would allow the parish to quickly

identify which SCRIP is missing. Local stores could then be alerted to watch for stolen SCRIP.

SCRIP records should be audited or reviewed by the parish finance council on a regular basis. Additionally, the SCRIP records should be stored in a separate area from the SCRIP.

The IRS considers SCRIP fundraising activities as a trade or business. The profits made from the activity are exempt from income tax **only** when the number of volunteer hours is **at least 85%** of the total number of hours it takes to run the program.

In a letter dated December 3, 1998, the IRS states, "It is the responsibility of each participating parish or school to maintain any records necessary to show that this is in fact the case." All SCRIP programs must maintain a record of the hours compiled for each volunteer and paid employee. At the end of the fiscal year, a calculation must be made to see if the program meets the "85% test." If the paid hours exceed 15% of the total hours, a federal form 990T must be prepared and tax paid on the profits. Filing this tax return is a significant burden, but can be avoided with proper planning.

A sample 990T is available online at www.dow.org/documents/AppendixA22thru25.pdf. The most current forms and instructions can be obtained from the IRS website at www.irs.gov.

EMPLOYEE OR INDEPENDENT CONTRACTOR: W-2 OR 1099?

Generally, a common law employee works for and performs services under the control of the party which pays for the services. On the other hand, an independent contractor is an individual in business for himself or herself, and performs services free of control from the party which pays for the services.

A worker's status under the common law test is determined by applying relevant facts that fall into three main categories: behavioral control, financial control, and the type of relationship itself. In each case, it is very important to consider all the facts - no single fact provides the answer.

The IRS indicates that facts which provide evidence of the degree of control and independence fall into these three major categories:

1. **Behavioral Control:** Facts that show whether the business has the right to direct and control how the worker does the task for which the worker is hired. An employee is generally subject to the business' instructions about when, where and how to work.
2. **Financial Control:** Facts that show how the business pays the worker. An employee is generally paid by the hour, week or month. An independent contractor is usually paid by the job.

3. **Type of Relationship:** Facts that show the type of relationship between the parties include whether the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation or sick pay.

Deciding if an individual is an employee or an independent contractor is not always easily determined. If one engages a worker with the expectation that the relationship will continue indefinitely, rather than for a specific project or period, this is generally considered evidence the intent was to create an employer-employee relationship. As a general rule, **when in doubt, consider the worker an employee and issue Form W-2.**

Upon request, the IRS will determine whether a worker is an employee or independent contractor via Form SS-8. However, the IRS is usually not quick in responding to a Form SS-8 inquiry; and if the employment status is so uncertain, it is likely that the IRS will rule in favor of employee status.

Sources:
www.usccb.org/finance/dfi_final_update_without_markup/12206.pdf
 Business Services Newsletter, Diocese of Pittsburgh, Issue 15 - January 2009

PAYROLL ALERT - DOWNLOAD NEW TAX TABLES NOW

The 'Making Work Pay Tax Credit' will mean a change in federal income tax for parish, school and cemetery employees. Logos has created a download to update your accounting software with the new IRS withholding tables for employers.

Within Logos Accounting, click on Help, About Accounting, Updates to download the updated tables.

ITEMS TO NOTE...

Certification of Dependent Status:

Notices have been mailed to employees who cover their children, ages 19-24, on their diocesan health care plan. Under a 2008 MN law change, an employee's unmarried child is eligible to be covered on the plan through their 25th birthday, regardless of their full-time student status. However, IRS regulations require those covered children to either be a "qualifying child" or a "qualifying relative" of the employee in order for the employer's premium contribution to be a non-taxable event for the employee.

The diocesan benefits department will be contacting parishes/schools who have employees with taxable adjustments that need to be addressed.

Policy on Gifts to Departing Pastors / Priests:

When a priest leaves a parish at retirement or the completion of his assignment, it is improper for him to receive a departure bonus or gift from parish funds. The proper way to handle giving the priest a gift at this time is a **special collection** for those who want to contribute to a departure gift and by receiving individual donations for this gift.

Address Changes:

Please include the Pastoral Center as a step in your regular address change process. The Diocese is charged 50 cents by the USPS for each Courier newspaper that is returned with a bad address; the total has exceeded \$200/month in recent months. Help us conserve resources – both financial and natural – by

DEAR LOGOS...

Q: *I just completed a deposit in the 'Deposit Assistant' and realized I posted the transaction to the incorrect bank account. How do I reverse (void) this deposit so it does not impact my bank reconciliation?*

A: To reverse a deposit in Logos, take the following steps:

1. Set the system date to the date of the incorrect deposit.
2. In the General Ledger module, select the Transaction Entry routine. Click the 'Open New Batch' button. Select journal type 'CR' (Cash Receipts). Label the batch with an appropriate title.
3. Locate the original posting report. If you do not have a copy, you can reprint the posting report using the 'Batch

This can be down any time before the deadline of April 1, 2009.

As always, a data back-up is recommended prior to installing any software updates. Questions regarding the software upgrade can be resolved by contacting Logos Support directly: A+ Contracts – (866) 229-8772, all other contracts - (800) 325-7085.

keeping your lists and our lists current. All address updates should be sent to **Cindy Theis** in the Stewardship Office, ctheis@dow.org.

Updates & Additions to DOW.org:

Now Online - Employee Benefits Guide: The Employee Benefits Guide can now be found on the diocesan website. This is a wonderful tool to use to access all benefit administration instructions and forms. The website address is www.dow.org/emp_benefits.html

Now Online - Contract Review Policy: Parishes, schools, cemeteries and other diocesan institutions must review and adhere to the policy before entering into a contract or lease agreement. The website address is www.dow.org/finance.html

Updated - Self-Insurance Coverage Summary: The document will provide a quick reference to answer basic questions about what is covered and who to contact in case of a loss. The document has been updated for 2009. The website address is www.dow.org/finance.html

Correspondence:

When corresponding with the Pastoral Center via letter, e-mail or fax please include your complete contact information (first and last name, location, phone, e-mail) within the message. This information will help ensure your correspondence is addressed in the most efficient way possible.

List' routine. (Refer to the Fall 2008 issue on www.dow.org for more details).

4. Enter the reverse of the transaction listed on the posting report. Be sure to use the appropriate bank account # and deposit number in the required fields.
5. A message will pop-up asking if it's okay for the amounts to combine; click the 'Yes' button. It will ask you to confirm for each line.
6. Post the batch.
7. Confirm the transaction by opening the check register. You should notice a zero amount for the original line item.
8. Re-enter the correct deposit using the deposit assistant.

DIOCESE OF WINONA DEPOSIT & LOAN FUND

Deposit And Loan Fund Rates:

- Effective Jan 1, 2009 -
Deposits: 2.75%
Loans: 4.50%

Withdrawal Requests:

Check requests from the Diocese of Winona Deposit & Loan Fund are issued and mailed each Wednesday. Requests must arrive via mail, fax, e-mail or internet before 11:00 am that Wednesday.

When making requests, please include the note number of the specific account(s) you're requesting withdrawals from. Please feel to contact the Diocese of Winona Finance Office with any questions.

MEET THE PASTORAL CENTER STAFF - DEAN DALZELL



I am a native of Andover, MN (northern suburb of Minneapolis / St. Paul). Currently, my family and I reside in Winona. My wife, Nikki, and I have three wonderful and energetic sons: Aidan (7), Isaiah (4) and Alexander (1).

I graduated from Anoka-Ramsey College with an Associate in the Arts degree (1994), and from Moorhead State University with a Bachelor of Science Degree in International Business (1996). After college, I worked in corporate training and project management for Norwest Banks in Minneapolis (now Wells Fargo). In 1998, I joined Carlson Marketing Group in Plymouth, MN as a marketing opera-

tions manager for the British Airways and VISA accounts. In 2003, I accepted a position as parish administrator for the parishes of St. Augustine & St. Edward in Austin. After selling our home in St. Paul that summer, we moved to northwest Austin and lived there until our move to Winona in June 2008. I also served briefly as the parish administrator for Holy Spirit Catholic Church in Rochester, until joining the Diocese of Winona Finance Office in January 2008 as a financial analyst.

For recreation, I enjoy bicycling, camping, canoeing and any activity that gives me the opportunity to spend time with my family.

CONTACT INFORMATION

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