

6 July 2009

Dear Brothers and Sisters in Christ,

The Finance Office and the Legal Office of the Diocese of Cleveland have issued guidance on use of gift card or scrip as a fund-raising device. Despite this consistent advice, there has been a variance of practice by parishes and diocese-related entities on the use of scrip. Some of these practices may be to the detriment of the parishes or entities engaging in them.

The United States Conference of Catholic Bishops issued norms in 2007 that govern fund-raising appeals. The competent authority to exercise oversight of fund-raising efforts by parishes is the diocesan bishop (see Norm #7). Given the widespread use of scrip and the diversity of practices, in my judgment, this seems to be an appropriate time for the issuance of policy and norms on this subject.

Fund-raising appeals are an important aspect of the mission of the Church and proper use is essential to the common good. Like many church activities, fund-raising has a theological element and can constitute a “teachable moment.” Fund-raising must not occur in isolation from other Church activities.

The United States Conference of Catholic Bishops norms express concern for the motivation of fund-raising appeals. Norm #1 provides:

Fund-raising efforts are to be truthful and forthright, theologically sound, and should strive to motivate the Faithful to greater love of God and neighbor.

In part, this means that the Faithful should develop a sense of involvement for the good of all. An appeal that rests too heavily on self-interest may not be consistent with such an approach. A better incentive or rationale for fund-raising for a parish school and participating in parish fund raising efforts would be that any money raised that goes to the parish school operating fund helps to keep tuition low and so the purchase indirectly benefits any school parent that participates in the fund-raising efforts. If the money raised from the fund-raising is used for a scholarship program, then it can be used to help parents who would otherwise be unable to send their children to a Catholic school. This approach would strengthen the school with added students, thus maintaining a consistent tuition, as opposed to a rapidly rising one, by adding more students.

Financial incentives to those doing the fund-raising raise a concern apart from that of motivation as provided by the Bishops. Much of Church fund-raising is based on volunteer activity. Since most fund-raising involves actions unrelated to the religious, educational and charitable mission of the Church, it could be unrelated business income

subject to federal taxation but for the fact that such activities are exempt from such taxes if the activity is carried on by volunteers. Liability for unrelated business income tax involves not only liability for payment of taxes but also record-keeping and reporting responsibilities.

The use of gift certificates, gift cards or scrip (hereinafter called "scrip") is a perfectly acceptable form of fund-raising provided it is done in a manner consistent with the fund-raising norms of the USCCB and the rules and regulations of the IRS. Information and norms are also offered for forms of electronic fund-raising which seem to be used with some success in some dioceses and may already be used in this diocese or soon will be used.

Therefore, I am issuing diocesan policy and norms on the subject of gift certificates, gift cards or scrip on this date to be effective on August 1, 2009, thereby coinciding with the academic year.

Sincerely yours in Christ

A handwritten signature in cursive script, appearing to read "Richard Lennon".

Bishop of Cleveland

POLICY AND NORMS ON GIFT CERTIFICATE FUND-RAISING PROGRAMS

POLICY. The use of gift certificates, gift cards or scrip (hereinafter called "scrip") is an acceptable form of fund-raising within the Diocese of Cleveland. Parishes and other Church entities are to follow the fund-raising guidelines from the United States Conference of Catholic Bishops, the Internal Revenue laws of the United States, the Diocese of Cleveland *Parish Financial Operations Handbook* and the norms that follow. Among other things, this means that only volunteers are to be involved in the sale of scrip. Since scrip is like money and Parishes and Church entities are to handle it similar to the way that they would handle offertory collections, storing the scrip in a secure place.

NORMS.

1. Only volunteers are to be involved in the sale of scrip.

Any type of compensation to such a volunteer might mean that one is no longer a volunteer and unrelated business income tax reporting obligations and/or liability may accrue to a parish or other entity raising the funds. Therefore, those who sell *or purchase* scrip should not receive any form of tuition rebate or credit. While this is a concern for the entity raising the funds, such compensation might be also taxable income for such volunteers and could subject the parish to tax reporting. No one is to receive a direct tuition reduction from his or her tuition account for any scrip related transaction.

Parish employees should not be involved in any significant way in the sale of scrip, although it is recognized that parish employees will have to be involved to a small degree in the record-keeping, bookkeeping and storage and accessing of gift cards. Sales in rectory and school offices during business hours must be handled by volunteers, not parish staff.

2. Parents of school students are not to be given a specific quota or amount of scrip that they must purchase or sell, even if it is only a means of decreasing tuition by a certain amount. It could be argued that they are not volunteers and the value of their services is clearly estimated by the extra tuition that they are obliged to pay due to failure to meet the goal.

This would constitute compensation in violation of the volunteer requirement and could subject the parish to tax reporting requirements for unrelated business income tax. This could also constitute income to the recipients that must be reported by the parish and by the recipient on his or her tax returns.

3. The scrip program must be reconciled. At a minimum, the certificates are to be reconciled on a weekly basis. Certificates should not be reordered unless

reconciliation has been performed. A sample reconciliation form is provided in the *Catholic Diocese of Cleveland Financial Operations Handbook*.

4. Scrip is similar to money; it is a cash equivalent. Therefore, the same care that is used in handling offertory collections is to be used in handling scrip, proceeds and inventory.
 - a. Scrip must be stored in a safe, secure place. When not attended to, scrip is to be secured by lock and key, preferably in a locked safe.
 - b. At no time is scrip to be removed from parish property.
 - c. Proper inventory procedures should be followed when handling the certificates. When an order is received, the certificates are to be counted and compared to the packing slip or invoice. Discrepancies are to be reported immediately. The paid invoice is to be retained and used to do the reconciliation. After the reconciliation, the certificates remaining available for sale are to be compared to the number of certificates remaining according to the reconciliation form. These numbers must agree. If possible, following proper internal control procedures would mean that the person performing the reconciliation is to be different from the person counting the beginning or remaining certificates. The unsold scrip inventory represents cash. Two persons are to count and verify certificates. Just as no one should be left alone counting offertory collection, no one should be left alone counting scrip. Any discrepancy must be reported to the pastor or administrator immediately.
 - d. Since scrip is like cash, it is not advisable to have too much on hand. Obviously the number necessary will vary according to the time of year and volume of sales. A good rule of thumb is that no more than a two (2) week's supply should be on hand since ordering and delivery is done on a weekly basis.
5. Insofar as some parishes have begun and others may begin to use electronic scrip programs and other electronic fund-raising programs, I am issuing the following specific norms with regard to the use of this type of scrip or fund-raising. Some of the problems with gift certificates noted above can be resolved with electronic scrip. Examples of an electronic scrip program can be found at: www.escrip.com and www.onecause.com. Use of electronic scrip does raise some other concerns and if electronic scrip is used, then the following norms apply to the parish, school or entity using electronic scrip:
 - a. The parish, school or other entity must carefully review any electronic scrip or other electronic or internet fund-raising program. It must assure that the "sign-up" forms contain clear terms and conditions which protect

the interests of the parish, school or entity and limit the nature and extent of the parish, school or entity's role in marketing the particular website, merchants, etc.

- b. Schools and other entities choosing to refer various websites to potential supporters will be required to include a cover note or explanation to any materials that there are various websites available and that neither the school nor diocese promote or endorse a particular program or the products and services of any particular website or participating merchant and that the terms and conditions pertaining to the use of that website and any resulting purchases are between the supporters, the website and the participating merchant; the school and diocese make no representations or warranties concerning products and/or services or the website operator or participating merchants. The schools or entities are also to make it clear that no portion of the payments made by supporters to merchants participating in the program are tax deductible.
- c. No promotional efforts on behalf of a particular website program, merchant group, etc. beyond what is described herein is permitted. For example, some organizations will recommend full-scale marketing plans which include presentations by website representatives, rallies, visits to merchants, press releases, ongoing flyers, etc. For the reasons stated above, this type of activity is prohibited. Website operators and merchants, are, however, free to take out paid advertisements in local papers or parish bulletins; though the parish/school must be careful not to allow itself to be referred to as a "sponsor."
- d. Under no circumstances is a parish/school authorized to operate or facilitate the operation of "virtual mail" shopping on the parish/school's website. However, subject to the restrictions set forth in the section above, the website addresses of approved commercial website shopping operators can be listed on the parish/school's website.

After consultation and having heard the Presbyteral Council, I, in accord with canons 34 and 1276, §2, hereby promulgate the Instruction "Policy and Norms on Gift Certificate Fund-Raising Programs" on 6 July 2009 with an implementation date of 1 August 2009.


Sister Therese Guerin Sullivan, S.P.


The Most Reverend Richard Lennon

6 July 2009