Archdiocese of Indianapolis

THE OAS MESSENGER

July 2009 Page

ACCOUNTING SERVICES

Parish Annual Financial Report For the fiscal year ending June 30, 2009, the Parish Annual Financial Reports will be submitted using the online survey format. An e-mail link to the survey and instructions has been sent to the person at each parish that submitted the report last year. If you have not received this link or incorrectly received the link, please contact Abbey Kirchner at akirchner@archindy.org. The instructions were NOT sent by regular mail. All documents are available online.

Minimum Wage Increase The federal minimum wage will increase to $7.25 per hour for all non-exempt workers effective July 24, 2009. It is imperative that all nonexempt employees receive this wage level, please ensure appropriate adjustments are made to affected persons.

Mileage Reimbursement Historically, the Archdiocese has reimbursed employees for business miles incurred at the rate published by IRS guidelines. However, effective July 1, 2009, the Archdiocese mileage reimbursement rate will be 41.25 cents per business mile incurred. The current IRS mileage reimbursement rate is 55 cents, we are reducing the Archdiocese rate to 75% of the IRS rate for budget purposes. We recommend that parishes and agencies evaluate their budget status prior to making a change in the reimbursement rate.

ADLF Rates for July—September 2009

Loans 3.75% Deposits 1.0%

ADLF rates for July– September are unchanged from the previous quarter. If you have any questions please contact the Office of Accounting Services at our email accountingservices@archindy.org.

Rates for Property Insurance and Property Assessment effective July 1, 2009 Insurance and assessment rates for property have decreased from the amounts published in the budget guidelines. As noted in the budget guidelines distributed in February, the intention was to reduce rates as necessary to offset an increase in property values. As our goal is to keep the insurance and assessments level with the prior year, however, because we will be averaging the costs across all Archdiocesan locations, your individual location may still see small increases. The rates for our new fiscal year are below. Please contact Mike Witka, Director or Risk Management at mwitka@archindy.org with any questions.

	New Rate	Prior Year Rate
Agency/School Property Insurance	$4.45/$1000	$4.75
Parish Property Insurance	$2.55/$1000	$2.75
Parish Property Assessment	$1.90/$1000	$2.00

RISK MANAGEMENT

Student Accident Forms New student accident forms and information are now available online at www.archindy.org/finance under the "Property Insurance" tab. This location provides access to claim forms, student accident brochures, and policy numbers. There is also a program administrative manual, which provides the appropriate contact information for submission of claim forms. Please refer to this information as needed.

Reminders:

- The property damage deductible has changed to $5000 per occurrence effective July 1, 2009.
- In regards to festivals, please ask all vendors, especially carnival rides, for certificates of insurance. Please contact Mike Witka at mwitka@archindy.org with questions or to have him review your location's current situation.
- Please take the time to check playground equipment for safety purposes. If you would like more detailed information, please contact Mike Witka.

Please feel free to send these newsletters to your fellow co-workers who normally would not receive through Accounting Services. There is always valuable information that can be shared throughout your parish or agency.

TODD ROKITA

Office of the Indiana Secretary of State

The Statehouse, Room 201
Indianapolis, IN 46204
www.in.gov/sos

Companies masquerading as an Indiana government agency ordered to stop harassing Hoosier businesses

Indiana Corporate Compliance, International Corporate Compliance, Inc. and Papillon Global Marketing, LLC are no longer allowed to misrepresent themselves as a government agency to Indiana business owners thanks to an investigation conducted by the Indiana Secretary of State. The Marion County Superior Court issued a permanent injunction requiring the companies to immediately stop sending any written notices or transmissions that could reasonably be interpreted as a compliance notice from a government entity.

In May, the Indiana attorney general's office filed a complaint against the companies, most commonly known as Indiana Corporate Compliance, alleging multiple violations of Indiana's Deceptive Commercial Solicitation Act. Individuals Aaron V. Williams and Lisa Diane Brown, both of California, were also named in the lawsuit. Indiana Corporate Compliance had been sending letters to businesses all over Indiana under the guise of the Business Services Division of Indiana Secretary of State Todd Rokita's office, citing a fictitious state law implying businesses were required to send up to $150 for record keeping services.

"The permanent injunction is an important step forward in our ongoing efforts to prevent Indiana businesses from being deceived," said Secretary Rokita. "Obtaining this judgment is the direct result of the tireless work by my investigators and the cooperation of hundreds of businesses from around the state who were targeted by this scam. My office will continue to make businesses aware of these types of scams, and I thank Attorney General Zoeller and his team for working with us to bring justice through the legal system."

The Secretary of State's office, which registers and certifies Indiana businesses, began an investigation as a result of complaints it received from businesses. A hearing will be scheduled to determine the total amount of damages which could be awarded to those who fell victim to the scam. More than 150 Indiana businesses reported sending money in response to the letters from Indiana Corporate Compliance and its affiliates.

Recipients of the letters reported believing the compliance notices were generated by a government agency and were misleading and confusing. As a result, the court found it reasonable that business owners would be confused and would comply with the notice.

Q & A

Q: Can an employee deduct the difference between the IRS standard rate and the company reimbursement rate (if lower than the IRS rate) on their individual tax return?

A: Yes, however, there are certain restrictions. First, the employee must be itemizing their deductions. Second, unreimbursed business expenses must be more than 2% of AGI. For further information and assistance regarding this issue, please consult your tax professional.

Send us your questions! Each month one or two questions will be addressed based on inquiries of the parishes. Please submit any questions you would like answered to accountingservices@archindy.org.

Fundraising guidance

We have reviewed the scrip and fundraising guidance included in our May newsletter with the Archdiocesan attorneys and confirmed the appropriateness of the guidelines as stated below. Overall, crediting tuition or reducing the costs of a school trip (or other event) for individual students based on scrip sales or other fundraising efforts results in a 'private benefit' to the individual. This private benefit could jeopardize the tax exempt status. According to the IRS, "An IRC section 501(c)(3) organization's activities must be directed exclusively toward charitable, educational, religious, or other exempt purposes. Such an organization's activities may not serve the private interests of any individual or organization. Rather, beneficiaries of an organization's activities must be recognized objects of charity (such as the poor or the distressed) or the community at large (for example, through the conduct of religious services or the promotion of religion)." Additional guidance from the IRS can be found at:
http://www.irs.gov/charities/charitable/article/0,,id=123299,00.html

Parish/School Activity Associated with Scrip Programs & Fundraising

Scrip/Gift Card Programs Defined: Scrip programs raise money through rebates from the retailer, represented as discounts from the face value of the gift card.

- Scrip Sales must be transacted through volunteers, not by paid individuals. Scrip sales should only be handled by paid individuals (i.e. parish/school secretary) a *de minimus* amount of time, 5% or less.

  School scrip program, if administered by uncompensated volunteers at the parish/school, poses no unrelated business income tax (UBIT) issues nor does it affect the parish/school's 501(C)(3) status. If the order-taking, processing and distribution are undertaken by paid parish/school staff, this type of arrangement has the potential for unwelcome (and otherwise avoidable) UBIT consequences to the parish/school. In a separate private letter ruling by the IRS, a diminutive amount of paid staff time was allowed in the administration of a school scrip program (less than 5% of the number of volunteers hours) and thus did not result in UBIT.

- It is preferable to use a scrip intermediary such as Great Lakes Scrip Center in the delivery and distribution of prepaid gift cards and certificates.

- Scrip money should be deposited so it is clearly identified should there be an audit. One way to accomplish this is to use a stamp and stamp it "Scrip" on the face of the check, so it is identifiable on bank statement images. If this is not done, the burden of proof is on the church to separate scrip funds from donated funds if requested to do so by the IRS.

- Additionally, purchasers of scrip are not entitled to any charitable deduction with respect to the purchase of scrip.

- Scrip proceeds should not benefit any one individual or family in the form of credits to tuition accounts, book bills, or other accounts based on the amount of their scrip purchases. ***Proceeds should benefit the 501(c) (3) organization (i.e. parish or school) and all its members.*** This applies to all fundraisers such as candy sales, Christmas wrapping sales, and volunteer activities such as concession stand sales. It also applies to funds raised for teen dances, class trips, and other events.

- Also, when a parish/school has a fundraiser for a school trip or related activity, the parish/school cannot take the funds raised by one parent and reduce only that particular parent's fee, nor one particular child's fee for the trip or related activity. Even though, one parent may work harder and be more successful at raising funds for the trip than other parents, the funds raised for the trip must be put altogether and reduce the total cost of the trip or related activity for everyone. This applies to service hours as well. Volunteers cannot be paid directly or indirectly (i.e. given a credit in the reduction of the cost of a class trip or related activity) for any fundraising event.