

Diocese of La Crosse Catholic Unified School Systems Accounting Policies and Procedures Manual

Chapter Ten: Scrip Accounting

A. Overview of Scrip Program

The selling of “scrip” is a fundraising technique used by many of the Diocese of La Crosse Catholic Schools. “Scrip” is the term used for gift cards purchased from vendors at a discount. These gift cards are then sold at face value, with the discount amount becoming income to the fundraising organization (in this case, the Diocese of La Crosse Catholic Unified School Systems).

Scrip is purchased from local vendors, as well as Scrip warehouses which sell gift cards for national chain stores. Discounts vary by vendor, but generally range from 1% to 20%.

B. Scrip Procedures

It is important to keep strict internal control over the accounting for Scrip, as well as handling the Scrip itself. Since Scrip is an alternative form of currency, it should be treated as cash. Accordingly, schools should practice safe procedures in the handling of Scrip. Scrip is generally sold through the Central Office, at the schools, and through parishes. A separate bank account should be maintained for Scrip transactions. Scrip Handling Guidelines from the Parish Finance Manual should be followed:

1. Volunteers should not take Scrip home for delivery. Purchasers participating in the program should pick up Scrip at the school 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 student permission to do this.
2. 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 the school’s premises.
3. 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. Schools should only order the amount of Scrip that has been requested by the program participants.
4. 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 school 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 school to quickly identify which Scrip is missing. Local stores could then be alerted to watch for the stolen Scrip.
5. Scrip records should be audited or reviewed by the controller and Finance Committee on a regular basis. Additionally, the Scrip records should not be stored with the Scrip, but in a separate area.
6. The IRS considers Scrip fundraising activities as a trade or business. The profits made from the activity are exempt from income tax 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 stated on this matter, “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, June 30, 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.

At the end of each Quarter forward a copy of the number of volunteer hours, paid hours and the calculation of the percent of volunteer and the percent of paid hours worked. Signed volunteer hour logs will be reviewed by the Coordinator of Finance during System visits.

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Purchasing

Purchases of \$crip are handled through the Central Office. Follow normal procurement procedures as discussed in **Chapter 6 – Cash Disbursements – Procurement**. Purchases of \$crip are coded to “Scrip Inventory”.

1. Fill out \$crip order completely, including vendor information, items to be purchased, price per item, quantity to be purchased and extended total. The PO should also include the shipping address information and the name of the requisitioner.
2. Enter the general ledger code to be charged for the purchase at cost.
3. Obtain authorized signature from the President or Controller.
4. Distribute the three copies of the PO: Original – Vendor, Copy 1 – Central Office, Copy 2 – \$crip Office

Sales

Central Office/Schools

1. Have purchaser prepare a \$crip order form. This form should include the purchaser's name, a date, the quantity and description of each item being purchased, an extended line total, a grand total for the order and the payment method. See Appendix A for an example format.
2. Re-calculate the extended and grand totals.
3. Accept payment for the grand total, marking the appropriate payment method on the order form.
4. Prepare a prenumbered cash receipt, in triplicate, for all payments. Give the original receipt to the purchaser, the second copy accompanies the deposit, and the third copy remains with the \$crip salesperson(s).
5. Count out the gift cards being purchased.
6. Have the person receiving the gift cards sign the form. This is verification that the gift cards have been released. (This may or may not be the person that purchased the gift cards.)
7. File the payment, cash receipt and order form until ready to make a bank deposit.

Parishes

1. Prepare a box of gift cards for each parish which is selling \$crip.
2. Prepare an inventory sheet for the gift cards in the box.
3. Parish sells \$crip according to the steps outlined in the previous section.
4. When the box is received back at the Central Office, reconcile the total order forms, plus the remaining gift cards to the original total counted in Step 2.
5. Reconcile the total order forms to the checks and cash received.

Preparing the Deposit

1. Daily, place all order forms, \$crip sales report, cash receipts (Copy 2) and payments in a tamper proof bag and seal.
2. On the outside of the tamper proof bag, indicate the total payments, “\$crip Revenue”, and your initials.
3. Forward to the Central Office for deposit processing.

Central Office

4. Verify the cash and payments received for deposit reconcile to the \$crip order forms and \$crip sales report.

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5. Process the deposit for \$scrip according to deposit procedures outlined in **Chapter 5 - Cash Receipts – Deposit Procedures**. Code the receipt to “\$scrip Revenues”.

The journal entry for \$scrip receipt deposits is:

Cash	XXX	
	\$scrip Sales	XXX

Parish Rebates and Family Credits

Parishes often receive a percentage of \$scrip sold in their parish. The earned credit is applied periodically (monthly or quarterly recommended) to the Parish. This transaction should be coded to “\$scrip Expense”.

1. When a parish earns \$scrip credit, a credit is issued to the parish support balance. The journal entry is:

\$scrip Expense	XXX	
	A/R Parish Support	XXX

2. When a family earns \$scrip credit, a credit is issued to the tuition balance. The journal entry is:

\$scrip Expense	XXX	
	A/R Tuition, Fees	XXX

C. \$scrip Inventory

Transactions in the \$scrip Inventory Account

\$scrip that has been purchased for resale, but has not been sold, is called “\$scrip Inventory”. This account appears on the Balance Sheet in the month end financial statements. The \$scrip Inventory account is effected by the following transactions

1. When \$scrip is purchased, a check is issued to pay for the gift cards. The journal entry is:

\$scrip Inventory(cost)	XXX	
	Cash	XXX

If coded correctly, this journal entry is automatically made by the accounting system as cash disbursements are processed.

2. \$scrip Inventory must be “relieved” (reduced) as gift cards are sold. This is done in a **weekly** entry based on all \$scrip Order forms collected throughout the week.

\$scrip Expense	XXX	
	\$scrip Inventory	XXX

The amount for this entry is determined by calculating the discounted value of all \$scrip sold throughout the month. This amount is determined by the \$scrip software program that is used to track \$scrip transaction or by using an electronic spreadsheet to track sales at discounted prices. Recalculate this amount using each order form from throughout the month.

3. Due to the high potential for theft \$scrip Inventory must be reconciled weekly. Reconcile \$scrip sales and purchases with the \$scrip inventory to the physical amount of gift cards on hand. Make an adjusting journal entry for any differences in the physical counts and the general ledger \$scrip Inventory account.

If physical inventory is higher than general ledger:

\$scrip Inventory	XXX	
	\$scrip Expense	XXX

If physical inventory is lower than general ledger:

\$scrip Expense	XXX	
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