

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

Chapter Nine: Parish Support

A. Deferred Parish Support

According to generally accepted accounting principles, revenues must be recognized as they are earned. Therefore, it is the policy of the Diocese of La Crosse Catholic Schools to recognize parish support revenue evenly over the twelve (12) months of the fiscal year, regardless of when it is actually collected. However, the amount of cash collected for parish support and the amount remaining must also be recorded. There are three places on the financial statements where parish support is tracked, each with its own purpose. They are:

Revenue recognition activity	<p>Parish Support (Income Statement) – This is the parish support considered to be <u>earned</u>. It is equal to 1/12 of the estimated total parish support for the year multiplied by the number of months since July 1</p> <p>Deferred Parish Support (Balance Sheet - Liability) – This is the parish support yet to be earned. It is equal to the total estimated support for the year, and any accumulated pre-paid balance from previous years, less Parish Support on the Income Statement.</p>
Cash collection activity	<p>Accounts Receivable – Parish (Balance Sheet - Asset) – This is the amount of <u>uncollected</u> parish support.</p>

Transactions in the Deferred Parish Support Account

1. The Deferred Parish Support account is established as parishes are invoiced prior to the beginning of the year (**see Section B**). The total amount of the agreed upon support is recorded as follows:

1405 Accounts Receivable – Parish	XXX	
2360 Deferred Parish Support		XXX

Based on this explanation, at the beginning of the school year the Deferred Parish Support account and the Accounts Receivable – Parish account balances should be the same, unless a parish has overpaid or pre-paid from a prior year. Both are needed, however, because support is recognized and collected at different rates.

2. Beginning July 1 calculate the parish support to be recognized. It is calculated by taking the parish subsidy for the year and dividing the amount by 12. Each month, recognize the revenue with this standard monthly journal entry:

2360 Deferred Parish Support	XXX	
4105 Parish Support		XXX

B. Invoicing

In July, or before, if possible, invoice parish support on a monthly basis. This is done through the system's accounts receivable software to allow for the tracking of individual parish accounts, as discussed in **Chapter 5 - Cash Receipts – Accounts Receivable Procedures**.

1. Each December the pastors from the supporting parishes will meet to determine support by parish using the Parish Support Formula adopted by the Deanery. The calculation of this amount will vary by school and should be documented in **Section D – School Specific Procedures**.

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2. Enter an invoice for 1/12 of the entire amount of the annual support less any Scrip credits earned.
3. Send out monthly parish statements.

C. Parish Support Collection

As payments are received, they are recorded to an individual parish account through the cash receipts procedure. At the end of each month forward a list of parish payments to the Office of Catholic Schools. Communicate past due accounts with system President and Dean. The payment is recorded as follows:

1105 General Checking	XXX
1405 A/R Parish Support	XXX

When Scrip credit is earned the entry is recorded as follows:

5195 Scrip Expense	XXX
1405 A/R Parish Support	XXX

D. Year-end Balance – St. Ambrose Financial Services, Inc. Loan

The current policy for a parish with a year-end account receivable balance is for the parish to convert the accounts payable (account receivable to the system) balance to the system to a loan from St. Ambrose Financial Services, Inc. St. Ambrose Financial Services, Inc. will either apply the balance to the system's accounts receivable balance payable to St. Ambrose Financial Services, Inc. The following entry should be made:

2010 Accounts Payable Diocese	XXX
1405 A/R Parish Support	XXX

If St. Ambrose Financial Services, Inc. provides a check to the system the following entry should be made:

1001 Cash	XXX
1405 A/R Parish Support	XXX

E. School Specific Procedures
