Chapter Ten: *$crip Accounting*

A. *Overview of $crip Program*

The selling of "scrip" is a fundraising technique used by many of the Diocese of La Crosse Catholic Schools. "$crip" 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).

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

B. *$crip Procedures*

It is important to keep strict internal control over the accounting for $crip, as well as handling the $crip card itself. Since $crip is an alternative form of currency, it should be treated as cash. Accordingly, schools should practice safe procedures in the handling of $crip. $crip is generally sold through the Central Office, at the schools, and through parishes. A separate bank account should be maintained for $crip transactions. $crip is setup as a separate Fund (60) in Abila MIP. $crip Handling Guidelines from the Parish Finance Manual should be followed:

1. Volunteers should not take $crip home for delivery. Purchasers participating in the program should pick up $crip at the school in a centralized location. $crip 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. $crip 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 $crip should not be maintained. $crip can be received from the National $crip Center (or other $crip clearinghouses) in one day by airmail. Schools should only order the amount of $crip that has been requested by the program participants and keep a one or two week supply on hand.

4. Adequate bookkeeping that tracks the purchase and distribution of $crip is required. At least two people should have dual responsibility for the maintenance of $crip records. When a school receives an order of $crip, serial numbers should be recorded. In the event that $crip would be lost or stolen, the recording of the serial numbers would allow the school to quickly identify which $crip is missing. Local stores could then be alerted to watch for the stolen $crip.

5. $crip records should be audited or reviewed by the controller and Finance Committee on a regular basis. Additionally, the $crip records should not be stored with the $crip, but in a separate area.

6. The IRS considers $crip 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 $crip programs must maintain a record of the hours compiled for each volunteer and paid employee. At the end of each month, a calculation must be made to see if the program meets the "85% test". If the paid hours exceed 15% of the total hours every effort should be made to reduce the paid hours in subsequent months. 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.

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.

5. Process the deposit for $crip according to deposit procedures outlined in **Chapter 5 - Cash Receipts – Deposit Procedures**. Code the receipt to "$crip Revenues".

The journal entry for $crip receipt deposits is:

Cash	**XXX**	
$crip Sales		**XXX**

Parish Rebates, Family Credits and System Credits

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

1. When a parish earns $crip credit, a credit is issued to the parish investment balance. The journal entry is:

$crip Expense	**XXX**	
A/R Parish Support		**XXX**

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

$crip Expense	**XXX**	
A/R Tuition, Fees		**XXX**

3. When the system earns $crip credit cash (asset) is transferred between the $crip checking account and the general checking account. Some systems have setup all assets and liabilities within Fund 10 General Operations. The journal entry is:

Cash- General	**XXX**	
Cash - $crip		**XXX**

Some systems have setup assets and liabilities within each Fund. In this situation the journal entry is:

Fund 10 Cash- General	**XXX**	
Fund 10 Interfund Transfer (9999)		**XXX**
Fund 60 Cash - $crip		**XXX**
Fund 60 Interfund Transfer (9999)	**XXX**	

C. *$crip Inventory*

Transactions in the $crip Inventory Account

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

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

$crip Inventory(cost)	**XXX**	
Cash		**XXX**

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

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

$crip Expense   **XXX**
       $crip Inventory   **XXX**

The amount for this entry is determined by calculating the <u>discounted value</u> of all $crip sold throughout the month. This amount is determined by the $crip software program that is used to track $crip 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. <u>Due to the high potential for theft</u> $crip Inventory must be reconciled weekly. Reconcile $crip sales and purchases with the $crip 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 $crip Inventory account.

If physical inventory is higher than general ledger:

$crip Inventory   **XXX**
       $crip Expense   **XXX**

If physical inventory is lower than general ledger:

$crip Expense   **XXX**
       $crip Inventory   **XXX**

Reasons for differences in the physical count and the general ledger account vary, but could include lost gift cards, stolen gift cards, miscounts, and errors in record keeping.

D. *School Specific Procedures*