



Scrip Policy for Parishes/Schools and School Systems

Since the National Scrip Center introduced the Scrip program to the Diocese of Green Bay in the mid 1990s, parishes and schools have earned thousands of dollars. The sale of Scrip certificates is recognized as a beneficial source of additional income. At present, National Scrip, Great Lakes Scrip, Green Bay Scrip and local merchants are the primary sources of Scrip certificates. National and Great Lakes provide program manuals and software. However, the integrity of any Scrip program rests with the individuals and procedures within each parish/school program.

If you are planning to begin a Scrip program in your parish and/or school, it is important to get information guides from a primary Scrip provider, e.g., the National Scrip Center (NSC) and be familiar with their guidance. Read and study the information carefully; talk with program coordinators in other parishes or schools as well. When you are ready to design your program, be certain to consult the following companion guidelines and policies of the Diocese of Green Bay. These diocesan guidelines and policies are intended to help parishes and schools implement a Scrip program and to serve as a standard for established programs in the Diocese of Green Bay.

Planning and Oversight

Planning is critical to the success of a Scrip program, as well as any other funding ventures; therefore, an Oversight Committee should be established. An Oversight Committee is charged with designing the Scrip program, establishing the goals, and setting practices and procedures. The committee presents the program to the finance council or the school board, monitors the activities of the program, and offers encouragement and support to Scrip workers and participants. The committee determines the distribution of profits only after consultation with the parish or school leadership. This committee periodically reviews the program goals and is responsible for program operations. Following are five broad areas in which policies and guidelines must be consulted.

Internal Controls

As a parish/school program, Scrip activity is subject to the same accounting procedures as those that are used in the parish, i.e., use of the Uniform Chart of Accounts. This includes recording all transactions on the parish/school books. Scrip certificates/cards are cash. A system must be in place to assure that certificates are counted on a regular basis and certificates are protected from theft. Without an adequate internal control system in place, it may be difficult or impossible to prove a loss for an insurance claim. Key areas of Scrip internal control:

1. Use one separate checking account for Scrip activity. Each check requires two signatures. The pastor or parish director with the advice of the parish trustees, or the school board, appoints the two check signers.
2. The Scrip certificates/cards must be kept in a secured location on the parish/school premises; certificates are to be sold on the parish/school premises. If certificates/cards are not kept on the premises, then additional controls, i.e., storage, insurance, access, etc., must be established to account for Scrip activity and protect the certificates/cards from theft. Check with the diocese or the insurance carrier to obtain the necessary additional coverage.
3. A reasonable dollar limit must be set for scrip inventory and monitored periodically.
4. Forms: use forms to expedite record keeping:
 - a. **Customer Order Form**, the weekly form given to those ordering Scrip
 - b. **Inventory Form**, a form listing all certificates in inventory used for sales, tracking and accounting
 - c. **Sales Tracking Form**, this form allows for recording purchasers, items, and quantities
 - d. **Envelope**, an order-taking/delivery system used primarily by schools
 - e. *Vendor List*, provided by the Scrip distributor; presented/modified on/for order forms
 - f. *Scrip Provider Order Form*, use provider's form to order program certificates

Internal parish/school forms may contain:

<p style="text-align: center;">Customer Order Form</p> <ul style="list-style-type: none"> • Name of Vendor • Rebate Percentage • Certificate Denomination • Quantity of Each Item Purchased • Total Purchase • Customer Identification Number 	<p style="text-align: center;">Inventory Form</p> <ul style="list-style-type: none"> • Date • Beginning Inventory Numbers for: Name of Vendor, Amount, and Number of Certificates • Post Sale Inventory Numbers for: Name of Vendor, Amount, and Number of Certificates
<p style="text-align: center;">Sales Tracking Form</p> <ul style="list-style-type: none"> • Date • Purchaser's Name • Name of Vendor • Quantity of Denomination Purchased • Certificate Identification Numbers • Total Sale (Check # if applicable) • Name of Person Selling 	<p style="text-align: center;">Envelope</p> <ul style="list-style-type: none"> • Date • Name • Amount Enclosed

Staffing

The ideal Scrip worker is both honest and accurate. Volunteers and paid employees handle large amounts of cash and Scrip certificates/cards. Typically, cash is transferred electronically to pay for Scrip certificates. The integrity of a Scrip program rests with the quality of people involved with it. Designing a workforce of 85% or more volunteer time will eliminate the need to file a tax return with the Internal Revenue Service and pay taxes.

The Scrip program staff can be employees and/or volunteers. Each volunteer and paid worker should have a job description. See suggestions below. There are several categories of tasks within a Scrip program. Some tasks may be assumed into combined roles. However, the person who receipts monies should not complete the deposit slip and deposit the funds. Likewise, the person who completes the record of receipts/expenditures should not reconcile the account.

Suggested roles and tasks:

<p style="text-align: center;">Scrip Program Coordinator</p> <ul style="list-style-type: none"> • Recruits program volunteers • Defines the workers' tasks • Oversees all workers • Updates forms • Attends all Scrip meetings • Responsible for advertising/marketing • Reports to parish/school board 	<p style="text-align: center;">Scrip Seller</p> <ul style="list-style-type: none"> • Be familiar with the sales procedures • Un/relock the inventory • Pull the certificates from inventory • Record the sale with required information on appropriate form(s) • Accept cash, COD • Take orders for National Scrip
<p style="text-align: center;">Order Person</p> <ul style="list-style-type: none"> • Pick up, assemble and check customer orders/money • Fill orders from inventory • Place order with vendor(s) • Write check to pay vendor (DO NOT sign check) • Deposit money 	<p style="text-align: center;">Record keeper (Reconciler)</p> <ul style="list-style-type: none"> • Use a separate Scrip account; two signatures are required • Tally certificates sold, cash received, inventory, deposits • Prepare a statement of transactions • Prepare a comprehensive monthly report • Keep files
<p style="text-align: center;">Order Fillers</p> <ul style="list-style-type: none"> • Verify incoming Scrip with order • Record certificate number sequence for inventory 	<p style="text-align: center;">Scrip Pick-up Person</p> <ul style="list-style-type: none"> • Goes to regional and local vendors to pick up Scrip certificates

Marketing and Promotion

The marketing and sales of Scrip are to keep with the mission and philosophy of the sponsoring parish/school. It is important to remember that Scrip purchases are *not* tax deductible as charitable contributions. To maximize participation of the parish/school in the Scrip program, effective marketing and promotion is essential. Items of concern are:

1. While it is important to make the sale of Scrip convenient for the customer, sale of Scrip certificates should be on parish/school property. If certificates are not kept on the premises, then additional controls must be established to account for Scrip activity and protect the certificates/cards from theft. Check with the diocese or the insurance carrier to obtain the necessary additional coverage.
2. According to information received from the Internal Revenue Service in May 2003, parents, grandparents, and other individuals who purchase Scrip from a school sponsored program for their own **personal use** may designate who is to receive any applicable **school tuition** credits/rebates without any income or gift tax consequences.

The IRS also noted that when grandparents and other individuals purchase Scrip and then apply any credits/rebates towards **religious education program tuition**, gift tax consequences could result. However, currently gifts totaling \$11,000 per donee per calendar year are exempt from gift tax so in most cases this will not apply.

However, if parents, grandparents and other individuals purchase Scrip from the sponsoring organization and then **resell** the Scrip to others, any profit directed to a student's tuition bill and/or Scrip requirement is in effect a commission the purchaser is receiving for their efforts to resell the Scrip. The exact income and tax withholding requirements in this case will depend on all of the specific facts and circumstances.

Please note that the IRS did caution that income tax issues could arise if Scrip is used to purchase items that will be deducted as a business expense. The rebates received on Scrip (or applied to someone's tuition) generally are not income, but the rebates reduce the basis of the item purchased. Therefore, the business expense deduction would equal the cost of the item less any rebate from the Scrip. In order to avoid confusion, a better practice would be to limit Scrip credits/rebates to cases when the Scrip will be used to purchase items for the individual's personal use.

3. Maintaining data in a computer program is very helpful; NSC, Great Lakes Scrip, and some parishes offer programs at little or no cost.

Ordering and Selling Scrip

Establish a working relationship with Scrip vendors (National, Great Lakes, Green Bay, local). Follow their guidelines for purchasing Scrip certificates. Establish a Scrip checking account and an ACH relationship (electronic transfer of funds) with your bank. Upon receipt of your Scrip, ALWAYS check certificates against the order. Items of concern are:

1. Establish procedures for receiving, processing and delivering Scrip; prevail upon all volunteers to use these procedures.
2. Count the Scrip certificate inventory frequently but at least weekly.
3. The person who reconciles the checking account or the inventory may NOT be a person who is also involved with selling/ordering/filling orders. The parish/school bookkeeper should reconcile these accounts.
4. Keep a copy of the record of the inventory in a place other than with the Scrip certificates.

Accounting and Reporting

Accounting and reporting systems assure that financial activities of a program are proper and that information is communicated to all that participate in the program. Below are key items that will help to create a system that meets the individual needs of each parish/school.

1. All Scrip transactions should be recorded on the parish/school general ledger using the Uniform Chart of Accounts. The parish/school is required to report Scrip activity to the diocese each year. Using the same accounting system for Scrip will greatly facilitate this requirement. Items that can be kept in separate records may include lists of purchasers, volume of sales per customer, inventories, etc.
2. Use only one Scrip checking account. Two signers are needed for each check. This requirement is similar to the diocesan rules on parish checking accounts.
3. The Oversight Committee should review Scrip activity monthly.
4. Regular reports should be made monthly to the finance council or board and annually to parishioners.
5. A computer and Scrip program can greatly help in organizing Scrip information.

6. **The IRS considers Scrip fundraising activities 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.

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