

## **Scrip Policy for Parishes/Schools and School Systems**

Since the National Scrip Center introduced the scrip program to the Archdiocese of Milwaukee in the mid '90s, parishes and schools have earned thousands of dollars. Scrip is comprised of the sale of certificates or gift cards which may be redeemed at various commercial vendors for goods and services. A purchaser pays the full face value of the scrip, which has been acquired by or on behalf of the parish or school at discount either directly from the merchant or through the services of a scrip company.

In the typical scrip program, the parish or school is entitled to retain the difference between the face value of the scrip and the discounted purchase price ("scrip rebate"). For example, if scrip is sold at its face value of \$100, and the parish or school purchased the scrip at a 10% discount, the parish or school would be entitled to retain \$10 as scrip rebate. In some situations, the scrip company may retain a portion of the scrip rebate as an administrative fee.

In other scrip programs, the scrip rebate belongs to the purchaser, rather than the parish or school. In these programs, the purchaser may be given the option to (1) retain the rebate in cash, (2) direct the rebate to reduce a purchaser's obligation to a charity, e.g., a student tuition account, or (3) donate the rebate without restrictions to the school or parish.

The sale of scrip certificates or gift cards is recognized as a beneficial source of additional income. At present, Great Lakes Scrip and local merchants are the primary sources of scrip certificates and gift cards. Great Lakes and others provide program manuals and software to assist the parishes and schools with the administration of their scrip program. 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, or if you currently operate a program, it is important to get information guides from a primary scrip provider and from Catholic Mutual Group (the archdiocesan insurance carrier,) and be familiar with their guidance, as well as the following companion guidelines and policies of the Archdiocese of Milwaukee. These archdiocesan 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 Archdiocese of Milwaukee.

## **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 Oversight Committee reports monthly to the parish/collaborative school finance committee. 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 pastor(s) and parish or school leadership. This committee monthly reviews the program goals and is responsible for program operations. Following are five broad areas in which policies and guidelines must be consulted.

### **I. Internal Controls**

As a parish/school program, scrip activity is subject to the same accounting procedures as those that are used in the parish, specifically the use of the Uniform Chart of Accounts and internal control procedures. This includes recording all transactions on the parish/school books. Scrip certificates and gift cards are cash. A system must be in place to assure that certificates and gift cards are reconciled at the end of each sales day. Certificates and gift cards are to be protected from theft by being stored in a safe place that is locked at all times. This safe must be kept in a non-obvious secure area on parish premises. Without an adequate internal control system in place, it is 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. Two signatures are required on each check. The pastor/parish administrator must have signature authority on the scrip account.
2. The scrip certificates/cards must be kept in a locked safe on the parish/school premises; certificates and cards are to be sold and distributed only on the parish/school premises.

Under no circumstances should scrip certificates and cards be taken off parish/school premises.

3. A large inventory of scrip should not be maintained. Scrip can be received from national providers via express mail. It is strongly recommended that only the amount of scrip needed to fill that week's orders should be ordered. The parish finance committee should conduct a monthly review of scrip inventory and records. The finance committee must review the Summary of Sales by Purchasers report on a quarterly basis.
4. Adequate bookkeeping that tracks the purchase and distribution of scrip is required. At least two unrelated individuals should have dual responsibility for the maintenance of scrip records. These two people should be the scrip coordinator and the parish/school employee with oversight responsibilities (e.g. bookkeeper).
5. 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><b>Customer Order Form</b></p> <ul style="list-style-type: none"> <li>• Name of Vendor</li> <li>• Rebate Percentage</li> <li>• Certificate Denomination</li> <li>• Quantity of Each Item Purchased</li> <li>• Total Purchase</li> <li>• <b>Customer Identification Number (Important!)</b></li> </ul>	<p><b>Inventory Form</b></p> <ul style="list-style-type: none"> <li>• Date</li> <li>• Beginning Inventory Numbers for: Name of Vendor, Amount, and Number of Certificates</li> <li>• Post Sale Inventory Numbers for: Name of Vendor, Amount, and Number of Certificates</li> </ul>
<p><b>Sales Tracking Form</b></p> <ul style="list-style-type: none"> <li>• Date</li> <li>• Buyer Name</li> <li>• Name of Vendor</li> <li>• Quantity of Denomination Purchased</li> <li>• Certificate Identification Numbers</li> <li>• Total Sale (Check # if applicable)</li> <li>• Name of Person Selling</li> </ul>	<p><b>Envelope</b></p> <ul style="list-style-type: none"> <li>• Date</li> <li>• Name</li> <li>• Amount Enclosed</li> </ul>

## **II. Staffing**

The ideal scrip worker is both honest and accurate. Volunteers and 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.

In order to qualify as a fundraiser under IRS rules and to avoid the possible incurring of unrelated business income tax liability for the parish/school, uncompensated volunteer hours must make up at least 85% of the total number of hours it takes to run the scrip program. However, the parish/school is ultimately responsible for the program. Scrip volunteers are accountable to the parish/school staff employees charged with oversight responsibilities. Paid parish employees may perform some of the tasks described below, but their involvement should not exceed 15% of the total activities involved in the operation of the scrip program. It is advisable to have logs or diaries maintained by volunteers and paid staff to track the time spent on the scrip program.

Each 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. The Parish Financial Management Manual, sections 5.5 through 5.7, provides additional information on internal controls for collection and recording of receipts.

Suggested roles and tasks:

<p><b>Scrip Program Coordinator</b></p> <ul style="list-style-type: none"> <li>• Recruit and train volunteers</li> <li>• Update forms</li> <li>• Attend all Scrip meetings</li> <li>• Responsible for advertising/marketing</li> <li>• Report to parish/school finance committee</li> </ul>	<p><b>Scrip Selling</b></p> <ul style="list-style-type: none"> <li>• Un/relock the inventory</li> <li>• Pull the certificates from inventory</li> <li>• Record the sale with required information on appropriate form(s)</li> <li>• Accept cash ONLY, NO C.O.D.</li> <li>• Take orders for vendors</li> </ul>
<p><b>Order Taking</b></p> <ul style="list-style-type: none"> <li>• Pick up, assemble and check customer orders/money</li> <li>• Fill orders from inventory</li> <li>• Place order with vendors(s)</li> <li>• Write check to pay vendor (DO NOT sign check)</li> <li>• Deposit money</li> </ul>	<p><b>Recordkeeping/Reconciling</b></p> <ul style="list-style-type: none"> <li>• Use a separate Scrip account; two signatures are required</li> <li>• Tally certificates sold, cash received, inventory, deposits</li> <li>• Prepare a statement of transactions</li> <li>• Prepare a comprehensive monthly report</li> <li>• Maintain files</li> </ul>
<p><b>Order Filling</b></p> <ul style="list-style-type: none"> <li>• Verify incoming Scrip with order</li> <li>• Record certificate number sequence for inventory</li> </ul>	<p><b>Scrip Pick-up</b></p> <ul style="list-style-type: none"> <li>• Pick up Scrip certificates from regional and local vendors</li> </ul>

### III. Marketing and Promotion

The marketing and sales of Scrip are to be in keeping 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. The rules and operational details of each scrip program must be established with precision and explained clearly, because there are important tax consequences to the parish or school as well as the individual purchaser depending on how the scrip program is structured. In order to clarify the tax consequences for both scrip purchasers and the parishes or schools operating scrip programs, the following guidelines should be followed:

1. It is important to make the sale of Scrip in ONE LOCATION on parish/school property.
2. Maintaining data in a computer program is required. Many national Scrip providers offer software that specializes in inventory tracking and sales history. We strongly recommend the use of this software instead of Excel spreadsheets or other locally developed

programs.

3. If the individual purchaser designates that all or a portion of the rebate is to be donated to the parish or to school or parish accounts without requiring that it is to reduce required obligations such as tuition, that is an unrestricted donation. A written receipt acknowledgement of the amount should annually be provided by the recipient to the purchaser if the purchase exceeds \$250 in face value.
4. Agreements with the scrip company should contain explicit language which identifies which portion of the rebate that is retained by the company as an administrative fee and whether the purchaser or the parish/school has the right to the remainder of the scrip rebate.
5. If the scrip program provides that the purchaser has the right to receive all or part of the scrip rebate, the parish or school operating the scrip program must develop a written agreement to be signed by the purchaser at the time of the initial scrip purchase. This agreement must (a) set forth the amount or percentage of the rebate to which the purchaser is entitled; and (b) provide the purchaser an option of retaining the rebate as cash; or designating that the rebate be credited to a particular tuition account; or donating the rebate to the school or parish without restriction. An organized system needs to exist to document written records of all sales amounts, dates and names of the purchasing parties and the providing of annual receipt acknowledgements if appropriate.
6. If the rebate proceeds are paid to the purchaser or used to reduce a required expense of the purchaser, such as a school tuition obligation of the purchaser or for the account of any designated named school enrollee, the written understanding should state that such does not constitute a donation generating tax deductibility of the amount in question. No tax deductibility acknowledgement receipt should be furnished by the parish or school for such rebate use.

The following form is a sample which can be used to document the processes set forth in this section:

Date: \_\_\_\_\_

### Scrip Purchase Agreement

(\_\_\_\_\_) School/Parish participates in a scrip program whereby you may purchase scrip for use at the participating merchants set forth on the attached materials. Each dollar of scrip purchased by you will entitle you to a \_\_\_% rebate. For example, your scrip purchase of \$100 entitles you to a scrip rebate of \$\_\_\_\_.

You may elect to retain your scrip rebates or donate them to the parish/school. Please make your election by checking the appropriate box below. Your election will remain in effect for all purchases made after the date of this agreement. You may revoke your election by signing a new scrip purchase agreement.

Unrestricted contributions are deductible under section 170 of the Internal Revenue Code, subject to satisfaction of applicable substantiation requirements of section 170. Rebates paid to the purchaser or directed to reduce a required obligation of the purchaser such as required tuition for a school enrollee, are not tax deductible

I, \_\_\_\_\_, understand that I am entitled to receive a \_\_\_% rebate on each dollar of scrip purchased by me through the scrip program. I hereby make the following election with respect to my scrip purchase:

- 1. \_\_\_\_\_ Pay me all rebates earned by me in each calendar quart
- 2. \_\_\_\_\_ Direct all rebates earned by me in each calendar quarter to the following student tuition account(s) for which I am obligated: \_\_\_\_\_
- 3. \_\_\_\_\_ Donate all rebates earned by me in each calendar to the parish/school for its unrestricted use. Rebates exceeding \$250 for these donations will generate an acknowledgement receipt.

If purchases are made by check, the purchaser agrees to indemnify the scrip company and/or the parish/school for any losses arising from insufficient funds in the purchaser's account needed to pay for the scrip.

Purchaser:  
  
Signature: \_\_\_\_\_

Parish/School:  
  
Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
Address: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_



## IV. Ordering and Selling Scrip

Establish a working relationship with scrip vendors (national and local). Follow their guidelines for purchasing scrip certificates and gift cards. 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. Document procedures for receiving, processing and delivering scrip.
2. Count the scrip certificate and gift card inventory at the close of each sales day.
3. The person who reconciles the checking account and the inventory may not be a person who is also involved with selling/ordering/filling orders. The parish/school bookkeeper should reconcile, or verify and retain, the reconciliations.
4. Keep a copy of the record of the inventory in a place **other than with the scrip certificates and gift cards**.

## V. 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. 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 signatures are required for each check. This requirement is the same as the archdiocesan requirement on parish checking accounts. The pastor/parish administrator must be a signer on the Scrip account at parishes and parish schools.
3. The Finance Committee must review scrip activity monthly.
4. Quarterly reports should be made to the finance council.
5. The scrip program must utilize an up-to-date computer and currently supported versions of software.
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. If a parish or school believes they are in danger of violating the “85% test,” they are to contact the Archdiocese Office of Parish Finance prior to May 31 of the current fiscal year for guidance.

Catholic Mutual Group policy updated and issued August, 2007:

## Archdiocese of Milwaukee Protected Self-Insurance Program

### **SCRIP POLICY AND PROCEDURE**

Many parishes are utilizing Scrip as a fundraiser. Scrip is a substitute for money or a gift certificate. Parishioners order Scrip from the parish, which they then use at local stores such as JC Penney, Kohl's and K-Mart. Besides these three businesses, there are literally hundreds nationwide that participate in the Scrip program. When parishioners purchase items with Scrip the parish receives a small percentage as the fundraiser contribution.

People order the Scrip from the parish who in turn places a large order of Scrip with a company such as the Great Lakes Scrip Center. The Scrip then arrives at the parish waiting to be picked up or distributed to the people who purchased it, along with Scrip that is purchased directly from local merchants.

Scrip can be an excellent fundraiser if it is properly handled and safeguarded. Since Scrip is like an alternative form of currency, it should be treated as cash. Many parishes do not practice safe procedures in the handling of Scrip. There is insurance coverage in the event that Scrip is stolen from the parish. However, in order to guarantee insurance coverage the following procedures must be followed:

1. The Scrip program is designed to be "pay as you go." Orders must be paid for when placed. There should be no "accounts receivable" for customers on Scrip books.
2. Volunteers cannot take Scrip home for delivery or storage. Scrip must be picked up at the parish in a centralized location by parishioners participating in the program. Scrip can be sent home from school with a person's son or daughter if the person signs a waiver providing the parish permission to do this. An example of a waiver is attached.
3. Scrip must be stored in a safe that is locked at all times. The safe must be kept in a non-obvious secure area on parish premises. Scrip may never be stored at a volunteer's home or in a vehicle. When Scrip is purchased locally for later sale or distribution, the certificates must be taken immediately to the parish or school to be locked in the safe.
4. A large inventory of Scrip should not be maintained. Scrip can be received from a national provider in two to three days. Parishes should only order the amount of Scrip that has been requested by program participants.
5. 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 parish receives an order of Scrip, serial numbers should be recorded. In the event that Scrip would be lost or stolen, the prior recording of the serial numbers would allow the parish to quickly identify which Scrip was missing. Local stores could then be alerted to watch for the stolen Scrip.
6. Scrip records, including the completed bank reconciliation, purchases, sales, and beginning and ending inventories, should be audited or reviewed by the parish finance committee on a regular basis (preferably monthly). Additionally, the Scrip records should not be stored with the Scrip, but in a separate area.

Scrip can be an excellent way for a parish to raise funds. To be successful, parishes must understand that Scrip is a cash equivalent and should be treated with the same care.

PERMISSION FOR CHILD/WARD DELIVERY OF SCRIP AND

WAIVER OF CLAIM

I, \_\_\_\_\_ give permission to  
Parent/Guardian

\_\_\_\_\_ to deliver Scrip,  
Parish/School

which I have ordered from parish/school to my child/ward, \_\_\_\_\_.  
Child/Ward

I understand that my child/ward will be responsible for the safe transport of the Scrip from school to my home and certify that I have discussed the responsibilities associated with the transport of the Scrip with my child/ward. I further understand that I have the option of personally picking up my Scrip orders from the parish/school rather than having my child/ward transport it. I agree that once the parish/school delivers the Scrip to my child/ward that the parish/school is not responsible for any Scrip which is lost, stolen or misplaced. I hereby waive any right of recovery that I may have against the parish/school for Scrip which is lost, stolen or misplaced after it is given to my child/ward.

This agreement is effective for the \_\_\_\_\_ school year.

\_\_\_\_\_  
Parent/Guardian Signature

\_\_\_\_\_  
Date