

DIOCESE OF CHARLESTON

***ACCOUNTING AND INTERNAL CONTROL
PROCEDURES***

JULY 2012

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All references in this manual to the “diocesan website” are linking and directing users to the following url:

<http://www.catholic-doc.org/finance/index.php?m=h&id=documents>

I. INTRODUCTION

This manual describes financial and accounting guidelines and procedures to account for parish operations. The procedures outlined are designed to meet the requirements of both the large and small parish. The purpose of the manual is to provide financial and accounting guidelines that will:

- Strengthen the parish internal control structure to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with the Bishop's authorization;
- Provide a uniform method of internal control throughout the diocese;
- Provide for continuity in the event of a change in the pastor/parish administrator; and
- Incorporate sound business practices into the daily parish life.

BUSINESS CONDUCT AND MANAGEMENT

Each pastor/parish administrator has a responsibility to his parishioners to administer the receipt and disbursement of parish funds in a prudent manner. Prudent management of monies requires the pastor/parish administrator to safeguard monies received, conserve the assets of the parish, and expend funds within parish means. These activities are to be conducted in a manner that minimizes the potential for waste, fraud, or abuse, but more importantly, in a manner that establishes accountability and transparency for financial activities.

It is essential that the pastor/parish administrator exercise good business judgment in the financial affairs of the parish. A pastor/parish administrator must be aware of accepted business practices. This includes requirements to file tax and other legal forms. When a pastor/parish administrator is in doubt about an accepted business practice or legal ramifications of a given situation, he must consult the chief financial officer of the Diocese of Charleston and also seek counsel and advice of the Parish Finance Council.

II. FINANCE COUNCIL

An overview of the responsibilities and role of the Parish Finance Council is provided in the Diocese of Charleston Parish Finance Council Handbook available on the [Diocese of Charleston website](#). Catholic schools are required to have a Finance Council unique and apart from the Parish Finance Council.

Also, see the diocesan website for the Parish/School Auditor's checklist.

III. BANK ACCOUNTS

The increasing financial pressures facing today's parishes require that control over cash balances, receipts and disbursements be maintained. Cash management is a tool to improve the liquidity necessary to meet a parish's day-to-day needs. The remainder of this section provides guidelines relating to the proper accounting and control over cash balances.

SEGREGATION OF DUTIES

Adequate safeguards and control over cash balances require a minimum level of segregation of the primary responsibilities involving cash transactions: authorization, custodial, recording, and reconciliation. Ideally, two or more of these responsibilities should not be performed by the same individual. The following guidelines should be considered when evaluating the appropriate level of segregation:

- Authorization: The pastor/parish administrator has the final responsibility of committing parish resources;
- Custodial: Parish funds should be maintained in adequately protected bank accounts;
- Recording: Transactions should be recorded by a competent accountant/bookkeeper; and
- Reconciliation: Reconciliation of account balances should be performed by someone other than the accountant/bookkeeper and reviewed by the pastor/parish administrator.

BANK ACCOUNTS

Each parish should maintain only one general operating checking account from which all check disbursements are to be made unless the need for an additional account is mandated by law. Such exceptions to this would be separate checking accounts for columbaria, cemeteries, Mass stipends, and cafeteria sales in a school. Accounts

should be interest bearing where minimum balances permit. If the parish does have an approved separate building fund account, all activity should run through the main checking account so that it is accurately recorded in the parish's financial statements.

Parishes should not maintain accounts outside of the state of South Carolina. The diocesan Deposit and Loan fund (D&L) is the preferred investment vehicle for parish and school funds. The interest rate is extremely competitive and interest earned through this fund is not subject to diocesan assessment.

The D&L is based on the 1 Month LIBOR rate. This rate is adjusted at the beginning of each month. Savings accounts with a cumulative balance greater than \$300,000 will receive an additional rate of .25%. The D&L savings rate has a floor savings rate of 2%.

Other investment options must be government-insured, interest-bearing accounts/instruments to maximize the earning power of available cash balances.

The following is a partial list of allowable investment instruments:

Certificates of Deposit	Money Market Funds
U.S. Government Instruments	Government Agency Instruments
State/Muni Gov't Instruments	Diocesan Deposit & Loan fund

All cash accounts and investments must be listed on the Balance Sheet and included in the parish's quarterly report to the diocese.

LEAD BANK

Currently the diocese has banking relationships with two institutions: SCBT and First Citizens. Caution should be exercised in the choice of a bank. Online sites such as www.bankrate.com should be consulted for ratings of a bank's financial strength and stability. Please call the Office of Financial Services for further information.

AFFILIATED PARISH ORGANIZATIONS

All affiliated parish/school organizations (APO), societies, ministries and clubs are fiscally responsible to the pastor/parish administrator. Assets of any such association are the property of the parish. **Parish/school organizations may have their own checking accounts at the sole discretion of the pastor/parish administrator. All affiliated organizations' funds should be kept solely in a checking account. All bank accounts shall bear the name and federal identification number of the parish. Each and every account shall have the pastor's signature as one of the authorized signatures along with no more than 2 officers.** All bank statements must use the parish/school address and be reviewed by parish/school staff. No APO bank account should be recorded on the parish/school financial statements. A minimum cash

balance should be kept by all APO's. At the end of each year, the APO's bank balance should be reduced to an amount equal to one month's operating expense. Excess funds should be transferred to the parish or school for ministerial purposes.

Whenever an affiliated organization must pay an individual for services rendered, a check should be issued to the church/school and the church/school will issue a check to the individual. This will allow for the payment to be considered for 1099 reporting purposes.

Affiliated organizations should follow the same procedures for processing cash receipts as the parish/school does. The organizations' bylaws should state a maximum amount of cash that may be kept as an operating fund. All donations from the affiliated organization to the parish or school should be in the form of cash by check. No payments should be made by the affiliated organization for any goods or services intended as a donation for the parish or school. This ensures that donors' contributions will be honored as charitable deductions by the Internal Revenue Service.

All parish/school organizations must submit a written financial report and bank statement to the parish/school on a quarterly basis. The pastor/principal should receive and review these financial statements, along with the reconciliation of the activity to the beginning and ending cash, at least quarterly. The parish/school will in turn submit a copy of the report to the diocese with their quarterly return. See the [diocesan website](#) for the current approved format for affiliated organizations' reporting. Software generated financial statements and bank reconciliations are also acceptable.

IV. CASH RECEIPTS

The purpose of the Best Practice Guidelines is to promote the integrity of the parish, its employees and volunteers, and instill confidence within the parish community through a well controlled collection process. The use of church offering envelopes is expected.

Best Practice Guidelines:

- A.** *Guarantee that all donations collected by the ushers are delivered intact (as collected) to the count team by supplying pre-numbered tamper evident bags. The donations are consolidated into one sealed bag, and secured, without any strays, prior to the collection count.*
1. Before Mass, inform the ushers of the number of collections. Assign tamper evident bags for these collections (regular collection, second collection and special collection) plus a spare bag in the event of a defective bag seal or an error made in the closing of the bag. If a bag is spoiled, retain it and submit it with the collections.
 2. During the offertory, the ushers move pew to pew with the basket collecting from the worshipers.
 3. The ushers consolidate the individual collection baskets to a pre-numbered sealed tamper evident bag assigned to that Mass and lining the main collection basket. This is always done in the presence of a witnessing usher.
 4. The collection is maintained in its original form, that is, no change is ever given from the collected funds or checks cashed from the collected funds.
 5. If there is a second collection, do not delay consolidating and sealing the tamper evident bag with the first collection. Always consolidate and seal the tamper evident bag for the first collection before taking up the second collection. The ushers move pew to pew with the basket collecting from the worshipers.
 6. The ushers consolidate the individual baskets to a pre-numbered sealed tamper evident bag assigned to that Mass. This is done always in the presence of a witnessing usher.
 7. On the front of the bag, fill in the Mass, collection (first, second or special), and the date. Use ball point ink.
 8. The bag(s) for the regular collection and, if applicable, the second collection are transported to a secure area for safekeeping prior to delivery to the count team. (The secured area should be one that cannot be picked up and moved by someone).

9. It may happen that someone missed the basket and wished to add an envelope to the collections. Any loose envelope is placed in the pocket in the front of the sealed bag, or added to a smaller sealed bag and transported to a secure area for safekeeping prior to delivery to the count team. If this is a regular occurrence, review the usher procedures.
10. Document the procedures for the ushers to follow, especially how to properly seal the bags. Post and communicate these procedures with the ushers. Let the ushers know how much you appreciate their cooperation in successfully implementing these procedures.

Best Practice Guidelines:

B. *Ensure the proper use of safekeeping devices, such as safes, to safeguard funds.*

11. A limited number of people should maintain lock combinations and/or custody of keys to parish safe(s). Combinations and keys should never be stored in an unlocked desk drawer, hung on a wall, the back of a door, or in an unsupervised area where anyone can gain access to them.
12. Limit the amount of funds secured in a safe, to a minimum, with the excess deposited with a bank or night depository. The deposit should be made immediately following the count. If there is a day or so wait for armored pickup – secure the stored collections. If possible, avoid storing cash receipts overnight. Whenever possible, deposits should be made daily but with no regularity as to the time of day.

Best Practice Guidelines:

C. *Make available a secure area for counting and provide supplies to aid the count process.*

13. The count area should be free of distractions and through traffic to access a supply closet or bathroom by individuals other than counters. Limit the number of people, other than the counters, in the room. Only the counters, priest overseeing count, and/or someone from parish staff should be in the room. The parish staff should not be counting the collections.
14. Set up the count room with the counting supplies, collection worksheets (Tally Sheet example on [diocesan website](#)) and bank deposit tickets. Also, supply a new tamper evident bag to secure the funds to be deposited after the count is complete.

Best Practice Guidelines:

D. *The tamper evident bags are delivered unopened to the count team, preserving the chain of custody from the ushers. No one should handle money to sort or organize it prior to the arrival of the count team.*

- 15.** Once the counters (3 or more unrelated people) are assembled, the pastor or his designate will deliver the tamper evident bags containing the Mass collections. Other sources of revenue received by mail, or in person at the parish office are also delivered to the counters.
- 16.** The counters will examine the bags to note if the condition is okay, meaning secure, i.e. no breaches of the seal or if the condition of the bag is irregular. The condition of the bag and the bag number should be recorded on the Bag Tracking Form.
- 17.** The bags are opened using a scissor. Envelopes, checks, cash and coin are separated to ease counting.

Best Practice Guidelines:

E. *Collections are counted, classified and recorded by alternating count teams or duties are rotated among several count team members. The complete collection is deposited. None of the collection is kept at the parish as convenience cash.*

- 18.** The donation envelopes are opened and the content amount is verified to the amount indicated on the front of the envelope. Notate this review by check marking the amount on the envelope. The donation envelopes are set aside and saved.
- 19.** Checks are restrictively endorsed by stamping “for deposit only” to the parish account See example on diocesan website.
- 20.** Photocopies of loose checks (those not contained in an envelope) are made and retained along with the donation envelopes. If a photocopier is not readily available, then list the names, and dollar amounts recorded on the checks.
- 21.** The currency is separated by denomination, counted, and banded. The amount and the counters initials are recorded on the band. The banded currency is then given to a second counter who opens the band, recounts and records his/her initials. The band will now have the amount counted and two sets of initials.
- 22.** Two adding machine tapes are run to verify the total of the checks. Two adding machine tapes are run to total the currency and coin. There are now three separate tapes duplicated for checks, currency, and coin.
- 23.** The counters complete the count sheet by documenting the currency, coin, and checks. The adding machine tape should be identified by indicating cash or

check; initialed, dated. One copy of the tape is attached to the collection worksheets (Tally Sheet example on diocesan website). Each counter signs or initials the collection worksheet to provide accountability for the amounts.

24. The counters will record the currency and checks on a 2-part bank deposit ticket. All information is completed on the deposit ticket. The original, along with the adding machine tapes is sent to the bank and a copy is retained at the parish.
25. The count sheet is retained, along with the deposit ticket, and bag tracking form. Immediately match the deposit receipt to the count sheet to verify and attach both. If a receipt is not received, review bank statement and contact the bank. Such documents should be readily available for an audit. Records should provide clear documentation of cash receipts from the time of collection to the time of deposit.
26. The collection is placed in a tamper evident bag ready for transport, along with the deposit ticket and second copy of the adding machine tape listing check amounts. The collection is then transported for deposit processing in the bank.
27. If the collection is transported to the bank via armor courier service, then the deposit ticket is placed in the bag with the collections. The bag is then sealed and placed in the safe awaiting pickup. If the collection is to be delivered to the bank by someone from the parish, then the bag is sealed and the deposit ticket is retained outside the bag and delivered to the bank.

Best Practice Guidelines:

F. *Confirm the amount of deposit credited to the parish account and add the transaction to the general ledger.*

28. The deposit advice received from the bank is compared to the balance of the count sheet. The deposit advice is maintained along with the count sheets.
29. The deposit is coded by the type of revenue and entered into the accounting system on a weekly basis at least.

Best Practice Guidelines:

G. *Management oversight by the Pastor/parish staff of the performance of the collection and processing of funds.*

30. Overages and shortages between count worksheets and bank deposit receipts should be reviewed to determine if the discrepancy is due to human error, or a need to revise/enhance procedures. Additional count team members may need

to be recruited, or count duties may need to be changed. Immediately notify the Pastor.

31. A comparison is made of the actual collection to the budgeted collection for the week, the previous week results and periodically the previous year results.
32. Document evidence of weekly/periodic supervisory reviews of collection worksheets, journal entries, and deposit slips.
33. The actual collection is published in the church bulletin each week, by regular and special collections.
34. The Finance Council should periodically review the collection process steps for lapses in procedures and to refresh the process.

Best Practice Guidelines:

- H. *Parish Staff: to the extent staffing levels permit, the duties of collecting, recording, depositing, and reconciling cash receipts should be separated among different individuals. If a parish does not have sufficient staff to separate responsibilities for cash handling, record keeping and reconciliation in the most desired manner, closer day-to-day supervision by the pastor or someone authorized by the pastor is necessary.*
35. Someone independent from the cash receipt function summarizes the cash receipt and this cash summary is compared to the validated bank deposit to ensure that all collections were deposited intact.
 36. All cash receipt accounting entries are supported with validated bank deposit tickets and other documentation to ensure an independent verification of cash deposits.
 37. Different individuals are responsible for handling each aspect of the cash receipt procedures. For example, the person who receives cash does not prepare the deposit; the person who prepares the deposit does not handle the reconciliation.
 38. If a donor makes an individual contribution of more than \$250, the donor should be sent a timely tax acknowledgement in writing stating the amount and date of the contribution.
 39. Only the counters, priest, business manager should be in the count room.
 40. Checks received are restrictively endorsed.
 41. Records should provide clear documentation of cash receipts from the time of collection to the time of deposit.

Best Practice Guidelines:

- I. *Parishioner contribution from donor envelopes and checks are tracked, reviewed and reported back to parishioners.*
42. Develop written procedures to instruct the person completing the data entry. Do not back date envelopes to the Sunday date printed on the envelope; use the date of the collection. For instance, school families submitting multiple envelopes for previous Sundays on one Sunday should be entered with the Sunday date the multiple envelopes were received, not the day the data was entered, or the Sunday dates printed on the envelopes.
43. Each week, print the Contribution Summary Report and compare to the envelope total for both number and dollar amount recorded on the Sunday collection worksheets. Depending upon the percentage of envelope usage, you can verify if the deposit is reasonable. The amount contributed on the Contribution Summary Report should be lowered by the amount of cash on the Sunday collection worksheet.
44. Someone who is independent of the counting, depositing, and recording of collections prepares the year-end parishioner statements.
45. On an annual basis at least, send donors a statement identifying the donation amounts received from the person. See the diocesan website for a sample year-end contribution acknowledgement.
46. If there is a discrepancy, resolve it immediately by reviewing contribution records.

The importance of adhering to these procedures cannot be overemphasized. If adequate internal controls are not in place, the personnel handling cash are not being afforded the protection to which they are entitled should allegations of impropriety ever be made.

The Diocese of Charleston Policy & Procedures for Screening and Background Checks: A credit report is required for church and school personnel and applicants whose position, description, duties, responsibilities and/or ministry include the receipt, counting, distribution of money, and /or the entry of financial data.

This would include counters, volunteers, and any parish members with check signing authority or access to cash: i.e. offertory, fund raisers, silent auctions, etc.

NATIONAL AND DIOCESAN COLLECTIONS

A separate tally sheet should be used for each national and diocesan collection.

National and diocesan collections should be remitted to the Diocese of Charleston using the diocesan form provided on the [diocesan website](#) within 30 days of the collection.

The amount remitted should equal the amount reflected on the supporting tally sheet. Should a parish chose to remit funds exceeding the actual designated funds donated by parishioners, the additional funds should be reclassified by journal entry to the appropriate account in the 522xxx range before a check is written to the diocese. The subsequent remittance will then agree to the revenue recorded.

All revenue from national and diocesan collections should be coded to the appropriately named account from the Chart of Accounts range leading with 522(xxx). When submitting funds to the diocese, remittances should be coded to the corresponding expense account from the Chart of Accounts range leading with 752(xxx).

Since such second collections are transit funds of the church, bookkeeping of the funds should follow the same balancing routines used for other types of transit accounts. A reconciliation of revenue to expense should be prepared at least quarterly.

On an account by account basis, when revenue exceeds its corresponding expense, it should only reflect amounts for a collection less than 30 days ago. Else, the excess balance should be sent on to the diocese.

On an account by account basis, when expense exceeds its corresponding revenue, it should indicate a timing difference for a collection taken in June of the prior fiscal year. Else, further review is needed.

Annually, the Vicar General's office publishes a Schedule of Collections for the upcoming calendar year. Traditionally, the collection for the Holy Father (Peter's Pence) is taken at the end of June. This collection should be the only revenue remaining on the books in excess of the corresponding expense account at fiscal year end.

B.S.A. funds collected by the parish should be submitted in their original envelopes to the B.S.A. Office, P.O. Box 300, Charleston, SC 29402. It is advised that cash be removed from the envelopes prior to mailing and the total cash in the batch replaced by a parish check.

V. RECONCILIATION OF BANK STATEMENTS

The pastor/parish administrator/principal or Finance Council designee should open all bank statements and review deposit activity and canceled check images for authenticity of signature and obvious inconsistencies prior to forwarding the statements to the individual responsible for the preparation of the bank reconciliations.

Monthly bank reconciliations should be performed for all bank accounts and reconciling differences resolved on a timely basis. All bank accounts should be reconciled by someone other than the check preparer. If the size of the parish staff does not provide for the segregation of these duties, a member of the Finance Council should be asked to accept this responsibility.

The reconciliation process should be adequately documented. See the diocesan website for acceptable formats. Software that interfaces with an accounting package such as QuickBooks or PDS is acceptable in lieu of this Diocesan form.

The pastor/parish administrator should review the reconciliation and document his review via his initials.

The pastor/parish administrator's review of the reconciliation should include scanning deposits and charges to the bank account as reflected on the monthly bank statements for any inconsistent or unusual deposits or charges.

On a periodic basis (at least 4 times a year), a member of the Finance Council should review all bank reconciliations. Review should include checking the payees on all checks to be sure they agree with the payees as shown in the G/L or A/P system. Council member should sign the reconciliation to denote it has been approved.

All outstanding checks older than 120 days should be investigated and written off if not reissued. See [diocesan website](#) for an example of a request to a vendor to verify that a replacement check is in order. Replacement checks should only be issued after confirmation of a stop payment is received. The stop payment confirmation should be attached to the request for replacement and the original check then voided in the A/P system.

All voided checks should be saved and accounted for. "Void" should be written across the face of the check and signature portion removed. No check record should ever be deleted regardless of the option for deletion provided by the accounting software package.

All checks returned for non-sufficient funds should be followed-up immediately, resolved, and adjusted as necessary.

VI. CASH DISBURSEMENTS

This section provides guidelines to improve the accountability and safeguarding of the parish's cash disbursement activity.

The check signing authority should rest only with the pastor /or the member of the clergy or religious order who has been appointed as parish administrator. In the case of parishes with a school, the school principal may sign checks for the school.

All disbursements and support documents should be approved by the pastor/parish administrator/principal. The pastor/parish administrator/principal (or a designated member of the Finance Council) should periodically review the distribution of expenses to account classifications and, if applicable, the allocation between church and school records.

The designated signatories for parish checks in hierarchical order are: pastor/parish administrator, parochial vicar, other clergy assigned to the parish, neighboring pastor, and parish deacon. Under ordinary business operations, no lay employee or staff member may be a designated signatory. Only under the most extreme circumstances may a lay Business Manager or Chairperson of the Parish Finance Council be a signatory. The Parish Finance Council must be informed when a lay Business Manager or Chairperson of the Finance Council finds it necessary to sign a check. The parish/school bookkeeper should never be a signer on parish or school bank accounts.

A signature stamp or signature plate is strongly discouraged. If a rubber stamp or signature plate is used, it should only be used in the absence of the pastor/parish administrator/principal and only to pay invoices previously initialed as approved. Such alternative devices should remain in locked storage under the pastor/parish administrator's custody at all times. The use of an alternative signing device, if other than by the pastor/parish administrator/principal, should be restricted to a designated individual and its use monitored. All checks not manually signed should be reviewed by the pastor/parish administrator prior to release.

Blank checks should never be pre-signed and should always be kept in a secure area, preferably in a locked non-portable receptacle.

Expenditures that exceed \$1,000 (except for utilities, diocesan obligations, clergy/religious compensation, and payroll expenses) should be reported to the Finance Council at their next meeting.

Based on assessable revenue and the fulfillment of the conditions outlined below, individual expenditures or a project's total may require prior approval from the Bishop.

The following chart will be governing spending limits only if these conditions are met:

- a. The parish has an active Finance Council that meets regularly

- b. All expenditure (of any amount) involving contracts are submitted to the Diocese for liability and legal review.
- c. The completed financial statements for the previous year have been submitted and approved by the Finance Office (failure to comply reduces the limit to \$10,000)

Parishes having offertory revenue of:	LIMIT
Less than \$100,000	with permission only
\$100,000 or more	\$10,000
\$800,000 or more	\$25,000
\$1,000,000 or more	\$35,000
\$1,500,000 or more	\$45,000

The determination of the spending limit will be based on the offertory revenue as of June 30 of each year. A letter will be issued to the pastor during the first quarter of the new fiscal year identifying the spending limit and any issues affecting the change in the limits from the prior fiscal year. Please contact the Office of Financial Services for clarification at [...843-402-9115 exts. 34, 48, or 85](tel:843-402-9115).

Written bids should be obtained from at least 3 vendors prior to hiring a vendor to perform substantial property repairs or improvements.

All parish disbursements should be made by pre-numbered checks except if from petty cash. No check number should ever be repeated or reused. A log should be kept by date stating beginning check number used and ending check number used. This log should be initialed by the person printing the checks.

When issuing replacement checks, the next sequential check number should be used. A watermark or other such check protection is recommended. Where office staff size permits, someone other than the signer of the checks (pastor/parish administrator) or the bookkeeper should mail all checks.

Under no circumstances should disbursements be made from undeposited funds.

All check disbursements should be made out to a specific party. Under no circumstances should a check be made out to "Cash" or "Bearer."

All withdrawals from savings accounts/instruments must be deposited first in the parish operating account before disbursal.

Cash disbursement activity should be recorded in the parish's financial records at least weekly, preferably daily. It is expected that disbursement activity is automatically recorded by the check-writing software. All disbursements must be supported by appropriate documentation (i.e. invoices and receipts). Refer to Accounts Payable section for further discussion.

The use of debit cards is prohibited.

PETTY CASH FUND

A petty cash fund should not be maintained at a level above \$200.

Petty cash disbursements should not individually exceed \$25; larger disbursements should be made by check.

Petty cash disbursements should be supported by a sequentially pre-numbered voucher and accounted for as checks are. A detailed purchase receipt with a statement of business purpose should be attached to the voucher. The voucher should be signed by the requestor and initialed by the person who maintains the fund at the time of payout.

Access to the petty cash fund should be restricted to no more than two individuals at any one time.

Replenishment of the petty cash fund should be done on an as needed basis, at least monthly, but never above the predetermined level (not to exceed \$200).

Replenishment of the petty cash fund should be done by check in the name of the person who maintains the fund. It should never be replenished by cash from the collection.

VII. ACCOUNTS PAYABLE

The control and monitoring of parish obligations is critical to ensure that complete and proper recognition is given to all of the expenditures of the parish in the annual report. This section provides guidelines to improve the accounting for parish obligations.

Take advantage, when feasible, of purchase discounts.

All vendor bills should be reviewed and approved by the pastor/parish administrator; approval should be documented by the pastor/parish administrator's initials. Payments should not be made from statements but rather from the actual invoice. This will help minimize the risk of duplicating payments. In the case of credit card purchases, the detailed purchase slip along with the actual signed receipt must be presented for payment to be approved. Under no circumstances should credit card statements alone be used to initiate payments. The parish bookkeeper should assign an account classification to be written on the vendor bill prior to payment.

Delivery of goods or services should be verified before authorizing payment.

All unpaid bills, without exception, should be filed separately by due date. Disputed bills should be filed separately and resolved timely.

At the end of each month, a listing of the parish's unpaid obligations should be prepared for review at the next Finance Council meeting.

The amount of outstanding obligations of the parish should be reflected on interim and year-end financial reports to properly present the parish's financial position and operating result.

The timing of payment of vendor bills should be directed by the pastor/pastoral administrator based on the terms of payment and availability of funds. All approved expenses should be paid when due, with no vendor invoices being intentionally past due.

Paid bills should be appropriately canceled (i.e. marked "PAID", check date, check number) and coded for distribution to the appropriate expenditure classification.

Paid bills should be filed separately in alphabetical order by fiscal year to create a satisfactory audit trail.

Credit cards issued to a parish should state the name of the parish and reflect an individual's name. Such cards should be kept under lock and key at the parish when not in use. Parish credit card statements should be paid in full monthly with original signed receipts attached to the statement. The business purpose of each transaction must be specifically stated.

In the case of reimbursement of credit card purchases made on cards not owned by the parish, the detailed purchase slip along with the actual signed receipt must be also presented for payment to be approved. The business purpose of each transaction must

be specifically stated. Under no circumstances should credit card statements be used to initiate reimbursements to individuals.

VIII. FINANCIAL REPORTING AND BUDGETING

FINANCIAL RECORD KEEPING

Each parish's chart of accounts should conform to the account identification system approved by the diocesan Finance Office. Sub-accounts may be used for internal use; no changes and/or additions may be made to the chart of accounts.

Journals of original entry should include: (1) general journal or account summary journal; (2) cash receipt journal; and (3) cash disbursement journal.

The parish's bookkeeping responsibilities should be performed by an individual with a proven ability to maintain financial records. The pastor/parish administrator's primary responsibility will be to review and approve financial activity; ideally the pastor/parish administrator should not perform record keeping functions.

The totals from the cash receipt and cash disbursement journals should be posted to the general ledger on a monthly basis. Subsidiary ledgers should be maintained for all Balance Sheet accounts and reconciled to the general ledger on a monthly basis. Accounting records and source documentation are to be kept on the parish premises at all times. In addition, the bookkeeping function is to be performed at the parish. All records are the property of the parish.

REPORTING

The quarterly and annual financial reports should conform to the format established by the Office of Financial Services. See the [diocesan website](#) for QuickBooks and PDS report format examples and instructions. Passwords should be in place to restrict access to the general ledger and census database to authorized personnel. Computer files should be backed-up at least once a week and secured offsite or in a fireproof receptacle.

Schedule of due dates for quarterly reports to be submitted to the Office of Financial Services are as follows:

- 1st Quarter ending September 30 due October 30
- 2nd Quarter ending December 31 due January 30
- 3rd Quarter ending March 31 due April 30
- 4th Quarter ending June 30 (Year End) due August 15

The following are to be submitted each quarter:

1. Balance Sheet
This report should include a comparison as of the same date last year and the change from year to year.

2. Detailed Statement of Revenue and Expenditures
This report should include reporting for both the quarter and year to date. It should provide a column with the budget for each account line and a column with the variance to budget. (In QuickBooks, the report is the Budget vs. Actual Profit & Loss.) A column for the prior year-to-date and the variance to current year-to-date is also required.
3. Bank Reconciliations
Please include the bank reconciliation report produced by your accounting software. The list of outstanding deposits and checks is also required.
4. Bank Statements
Please send a copy of all pages of the bank statement for each account for each month of the quarter.
5. Transit Accounts Reconciliation
Please send a reconciliation between the Transit Revenue account 532701 and the Transit Expense account 762701.
6. Payroll Tax Returns
Please send a copy of the quarterly 941 Employer's Federal Tax Return and the SC WH-1605, the state withholding quarterly tax return. Confirmation of filing from Paycor may be substituted.
7. SC Sales and Use Tax Filings
Please send copies for each month or quarter.
8. Affiliated Organizations' Reports
Please send a copy of the financial statement of activity for the reporting quarter and the bank statement and reconciliation for each month of the quarter.
9. Unpaid Tuition Report
This is a schools only report.
10. General Ledger
Please send General Ledger via email, CD or flash drive for the entire fiscal year to date.
11. Internal Control Questionnaire
Due on 4/30 with the 3rd quarter reports, all 3 parts of the questionnaire should be completed with signatures.
12. Columbarium Receivables
For those parishes with a columbarium, an aged list of open receivables is required.

Additionally, the following are required only at the end of the 4th quarter:

13. Budget for the upcoming fiscal year

14. Annual Representation Letter

The pastor should send a letter to the Bishop signed by all members of the Finance Council confirming that year-end financial statements and the budget for the new year have been reviewed and discussed. An example of this may be found on the [diocesan website](#).

A checklist of the aforementioned reporting requirements can be found on the [diocesan website](#).

Although quarterly and annual reports are required to be submitted to the diocese, good financial procedures would dictate that monthly reports are prepared and submitted to the pastor/parish administrator and Finance Council for review.

As stated in the Parish Finance Council Handbook :

“The Finance Council should review the completed parish quarterly and year-end financial reports to the Diocese, taking care to ensure that all reports have been accurately and completely prepared. The review should include a comparison of the amounts on the reports to the financial records of the parish.”

BUDGETING

The pastor/parish administrator, with assistance of the Finance Council, should prepare a financial budget prior to the commencement of each fiscal year. Ideally, the final budget should be completed by May 31st.

The basic objectives of a budget are to:

1. Provide a written expression in quantitative terms of the policies and plans of the parish;
2. Provide a basis for the evaluation of financial performance in accordance with the plans;
3. Provide a useful tool for the control of costs; and
4. Create cost awareness throughout the organization.

The budget preparation process should focus on three areas: revenues, operating expenditures, and capital expenditures.

The approved budget should be published and made available to parishioners. Once the budget is approved the budget should not be changed. The Finance Council should, however, make adjustments to projected spending as necessary. Any variances should be explained and documented. Additionally, each quarter a report should be prepared comparing budgeted amounts to actual amounts, particularly for revenues and operating expenditures. Any unexpected and/or significant fluctuations should be reviewed and resolved by the Finance Council before publication. A formal budget vs. actual report should be prepared (quarterly). Semiannually, within 60 days

of the previous 6 months activity, the formal report along with a Statement of Financial Position (Balance Sheet) should be published, preferably in the parish bulletin.

IX. PERSONNEL

PERSONNEL

Parishes are directed to follow and adhere to the guidelines in the diocesan parish personnel manual or school manual with respect to employees in a parish or school.

Please direct all questions or comments to the diocesan Human Resources Department.

In the event of any threatened or actual dispute between a parish and a person regarding employment, scope of responsibilities, advancement, termination, discipline, or failure to hire, the parish is to immediately notify the Director of Human Resources. An employee should not be terminated prior to the Human Resources Director's consultation with the diocesan attorney.

X. PAYROLL

Time sheets must be used by all lay employees and signed. The pastor or employee's supervisor should review and sign all time sheets. See the [diocesan website](#) for an example of an acceptable format. All non-exempt employees should be paid time-and-a-half for all hours worked in excess of 40 hours per week. "Comp time" should never be given in lieu of an employee's actual hourly wage or to substitute for paying time-and-a-half. Non-exempt employees may not volunteer time to work in the same capacity that they are employed in. All salary levels should be reviewed with the Finance Council.

CLERGY/RELIGIOUS COMPENSATION

Compensation paid to clergy should be in the amounts predetermined by diocesan policies. The Bishop, in consultation with the Priest Personnel Board and Presbyteral Council, determines the level of compensation. Guidelines for compensation may be obtained from the Priest Personnel Office.

Payments to Religious who are subject to a vow of poverty and working at the direction of his/her ecclesiastical supervisors should be paid through the Accounts Payable system. Religious stipends should be payable to the order or community. Diocesan policy requires a contract be negotiated with the religious superior or provincial. The religious order is responsible for all tax reporting.

DIOCESAN BENEFITS PROGRAM

All individuals who are considered employees of the parish should be offered diocesan benefits based on their eligibility. The parish should pay for all eligible employees covered for life insurance and long term disability through the Christian Brothers

Employee Benefit Trust. Parishes should ensure that the appropriate premiums are withheld from employees.

PAYROLL REPORTING GUIDELINES

The proper recording and maintenance of payroll records is not only essential in determining the results of parish operations, but also for federal and state tax purposes. The Internal Revenue Service (IRS) and state authorities require that records be maintained that reflect the remuneration paid to each employee performing service for the parish. They also require numerous reports relating to payroll that must be prepared and submitted in accordance with specified due dates.

This section is intended to supplement the various forms and instructions provided by the taxing authorities and to show how the required information can be obtained. The information required for filing tax returns can be readily compiled through the use of individual earnings records.

Any payroll system, whether internally prepared or processed by an outside payroll service, should provide, at a minimum:

- Current period earnings, by employee
- Quarterly and annual earnings, by employee
- Current, quarterly, and annual totals for taxes withheld from all employees
- Distribution of these expenditures to the appropriate accounts/cost centers
- Accumulation of employee benefit obligations (i.e. pension contributions, health care benefits, etc.).

The payment of wages in the form of **cash** is expressly **prohibited**. All wages/compensation will be paid by check or direct deposit only. In addition, all compensation paid to employees or contractors (see below) will be recorded in the financial records of the parish and will be reported via the proper government filing (i.e. Form W-2 or Form 1099). The federal and state governments impose serious financial penalties for failure to comply with the guidelines stipulated in this section.

All employees should be properly classified as “exempt” or “non-exempt” according to the Fair Labor Standards Act (FLSA), including the minimum salary threshold of \$455 per week (excluding teachers).

All payments to employees, including bonuses (other than to Religious and other than properly accounted employee expense reimbursements), should be processed through payroll.

PAYROLL TAXABILITY

An employee is defined as “anyone who performs services subject to the will and control of the employer both as to what shall be done and how it shall be done” and receives remuneration for such services. The parish will generally employ three types of individuals: clergy, religious, and lay employees. Generally, clergy compensation is not subject to FICA tax, or federal and state unemployment tax. Lay employees, generally, will be subject to all such taxes except federal and state unemployment taxes. Under Internal Revenue Code Sect. 501 (c) (3) church employees are not subject to the federal unemployment tax.

Generally, individuals who are not “subject to the will and control of the employer both as to what shall be done and how it shall be done” and receive remuneration for such services will be considered independent contractors. The parish organist or part-time housekeeper/janitor should be treated as employees if they are subject to the will and control of the pastor/parish administrator. Please contact the Director of Human Resources when in doubt as to whether the individual is an employee or independent contractor. Compensation paid to an independent contractor is reported on Form 1099, explained later in this section. In addition, the parish is required to withhold and remit federal taxes equal to 20% of the amount earned if the independent contractor does not supply the parish with his federal identification number (a social security number for an individual).

Lay independent contractors are **not** eligible for diocesan benefits.

The IRS classifies parish priests as dual status taxpayers. This means that priests are considered self-employed for Social Security Tax purposes but employees for income tax purposes. However, most priests assigned to parishes, schools and agencies will have more characteristics of an employee than of an independent contractor.

Therefore, the IRS will expect to see Form W-2 to report the earnings of a priest. The likelihood of an IRS audit increases with the use of Form 1099-Misc.

Since the parish must issue the W-2, it is important to understand what constitutes income to a priest. Mass stipends should be paid through payroll and included on the W-2. Due to the nature of clergy compensation, the Office of Financial Services strongly encourages and advises that priests refer to the publication Income Taxes for Priest Only by Wayne Martin LeNell, CPA, Ph.D., and consult with their tax advisors on these complicated issues. If you would like to purchase a copy of Income Tax for Priests Only, please go online to: fathersguide.org. The remaining portion of this section addresses the various federal and state reporting and payment requirements applicable to each parish.

FEDERAL PAYROLL REQUIREMENTS

Federal Income Tax Withholdings

All employers having employees subject to federal income tax withholding (or FICA/Medicare withholding) must have an employer's federal identification number. Application is made on federal Form SS-4. All parishes are to have their own EIN. Missions may use the EIN of the main parish. Schools may use the parish number or apply for their own number. Parishes/missions should **not** use the diocesan EIN number.

An employer is obligated to withhold and remit federal income tax whenever wages are paid actually or constructively.

An employer must ask each employee to file Form W-4, Employees' Withholding Allowance Certificate indicating marital status and number of exemption allowances. This form can be found on the Internal Revenue Service's website www.irs.gov. This is not required to be updated annually, only when the employee makes a change.

Wage-bracket withholding tables are available from the IRS.

Every employer liable for federal income tax withholding must file a quarterly return with the IRS on Form 941. Form 941 is due by the last day of the month following the end of a quarter. Form 941 should be reconciled to the W-2's and the general ledger at calendar year end.

Every employer required to withhold federal income tax must make payment to the government either semi-weekly or monthly depending upon the amount of taxes reported on your Form 941 in a four quarter look-back period July 1 through June 30. Refer to www.irs.gov for compliance guidelines.

Social Security Tax (FICA)

The Federal Insurance Contributions Act (FICA) imposes a tax on both the employer and employee.

The employer's duties for both the Social Security and Medicare taxes are twofold. First, the employer must withhold the employee portion from each payment of wages based on a flat percentage of taxable wages. Second, the employer must pay the employer portion of the tax.

The Social Security and Medicare rates in effect for any given year can be obtained from Circular E, a federal publication issued to employers annually. Circular E will also state the base of wages subject to Social Security and Medicare.

The guidelines for remitting the Social Security and Medicare taxes are available on www.irs.gov.

The following summarizes Social Security coverage:

- Clergy – Generally, clergy performing the services of the ministry are exempt from Social Security taxes. However, clergy are subject to self-employment taxes.
- Other – Generally, all other parish employees are covered by the FICA tax.

Federal Unemployment Tax Act (FUTA)

Neither clergy nor lay employees' wages are subject to the federal unemployment tax.

STATE OF SOUTH CAROLINA REQUIREMENTS

State Income Tax Withholding

General Information

An employer required to withhold South Carolina income tax is generally any employer required to withhold federal income tax under the provisions of the Internal Revenue Code.

Generally, a covered lay employee is any resident performing services within or outside South Carolina, or any nonresident performing services in South Carolina.

Wage-bracket withholding tables are available from the South Carolina Division of Taxation (S.C. Circular E).

Employers should complete Form SCTC-111 obtained from the South Carolina Department of Revenue to apply for a state withholding number. As with the federal EIN, each parish that withholds state taxes should have its own state withholding number. Missions may use the same number as the parish if they are also using the parish's federal EIN.

For additional information on tax returns and payments, please refer to www.sctax.org.

FEDERAL AND STATE PAYROLL TAX RECORDS

The IRS requires the parish, as an employer, to maintain, for at least seven years, the following payroll records:

- The name, address, and Social Security number of each current and former employee
- The period of employment
- The total amount and date of each payment of remuneration and the period of service covered by the payment

- The amount of tax collected with respect to each payment and the date collected
- The withholding exemption certificates (i.e. Form W-4 or W-4E) filed by each employee with the parish.
- The total amount paid to the employee during the calendar year
- Copies of the payroll tax returns filed with the federal and state authorities, as well as the dates and amounts of the deposits made with the tax depositories.

FORM W-2

Each year, an employer must furnish a Form W-2 to each employee who has been paid wages.

The statements, which also are used to report the amount of FICA and Medicare tax withheld, must be furnished to the employee by January 31st of the year following the year to which the form relates. If any employee is terminated before the end of the year, the employer is still obligated to furnish the employee with Form W-2.

Compensation other than wages, whether or not subject to withholdings, is to be reported on Form W-2 when the payments, cash or noncash, amount to \$500 or more in a year or when the total of the other compensation plus wages reported is \$500 or more.

Copies of the Form W-2 must be submitted to the Social Security Administration with a transmittal form (Form W-3) by February 28th of the year following the year to which the form relates. The transmittal form summarizes total wages, taxable FICA wages, federal income tax withholdings, and FICA withholding of all Form W-2's transmitted. The W-3 totals should always reconcile to the totals of the four (4) quarterly 941's. Any discrepancy should be resolved and the appropriate corrections made to either the W-2, W-3 or quarterly 941.

FORM 1099

Every organization that makes payments of \$600 or more to an independent contractor must file information returns on IRS Form 1099 for the payments made. Specifically, a 1099 is required when any of the following are paid:

- Dividends or interest of \$10 or more
- Compensation of \$600 or more to all independent contractors
- Rents of \$600 or more

Generally, you need not file a 1099 for payments for services, rents, etc., made to a corporation.

If you employ an independent contractor, a W-9 should be requested before payment for services has been made. (Note: If you are unable to obtain a tax identification number, you will be required to withhold 20% of the amount earned for federal taxes.)

You are liable for penalties if you fail to file 1099's, if you file incomplete 1099's, or if you file the forms late.

1099's are required to be filed with the IRS by February 28th and are required to be given to the recipient by January 31st.

Consult the Office of Financial Services if you have a special situation not addressed above.

XI. FIXED ASSETS

In addition to accounting for cash receipts and cash disbursements, a parish must account for the fixed assets used in its operations. Fixed assets are sometimes referred to as long-term assets, capital assets, or plant and equipment. Examples of such assets include land, land improvements, building and related improvements, equipment, furniture, fixtures, vehicles.

Proper accounting requires capitalization of items purchased that are expected to have an estimated useful life of greater than one year and a cost of greater than \$1,000 for churches and \$5,000 for schools. Capitalization precludes invoices from expense accounts and excludes the reporting of them on the Income Statement. Capitalization costs should be coded to the specific type of asset purchased, i.e. Buildings, Furnishings and Content, Ecclesiastical Furnishings, Vehicle, etc. The amount to be capitalized should be the total cost of the acquired asset.

Every parish must maintain permanent records of all fixed assets. Each asset record should detail the following information:

- Asset description
- Serial number
- Purchase date
- Vendor or party purchased from
- Purchase price (cost only)
- Physical location
- Person responsible for asset
- General ledger account charges
- Disposal date, when applicable
- Warranty period
- Leasing obligations, if applicable

A fixed asset purchase requiring several disbursements to fully satisfy an obligation need only be documented on one asset record. Refer to the [diocesan website](#) for an example of an asset record. As a general rule, an asset record should be established for all “asset” purchases, even if charged to expense. At time of disposal, an asset should be written to expense at the original purchase price.

XII. CAPITAL PROJECTS

Any parish considering undertaking a capital project (i.e. purchase of land and/or purchase or construction of a building or major renovations) must contact the Executive Administrative Assistant to the Diocesan Chief Financial Officer for requirements.

XIII. FUNDRAISING EVENTS

Special fund raising events will be defined as parish sponsored annual festivals or feasts, and/or major dinners/dances. Many parishes rely on special fundraising events to supplement the weekly offertory as a source of revenue. These events can generate a significant amount of additional funds needed by the parish to meet their financial needs. As such, it is important that each parish take special care to ensure the adequate safeguarding and monitoring of these funds.

Certain fundraising events may require prior approval or licensing with a state or local agency. In addition, certain events may require the submission of activity reports with state and/or local agencies. The parish should consult with state and local licensing agencies before holding such events.

Each event should be coordinated by an appointed committee of reputable and practicing members of the parish. The pastor/parish administrator may or may not be a member of the committee, but should monitor its activities.

The financial activity for "special events" should be monitored separately. Such events are to be recorded as net, within revenue account 444232. Use of this account to record all revenue and expenditures from the event will ensure that only the event profit will be assessed.

Pre-numbered tickets should be used for admission to athletic, drama and other similar events. Funds received should then be reconciled by personnel who do not have access to cash receipts.

A detailed report of the financial results of the special event (i.e. revenue less expenditures equal net proceeds) should be prepared in a timely manner after the event and its financial activity have been completed. This report should be reviewed and approved at the next meeting of the Parish Finance Council.

If at any time during the event, more than \$25,000 is expected to be on hand, you may wish to contact Catholic Mutual to extend the limits of theft coverage for the event.

All monies collected from the event should be deposited to the parish bank accounts. Under no circumstances should monies be taken before deposited to pay event-related obligations.

Deposits should be documented via the use of the parish form. Refer to cash receipts section of this manual.

All disbursements relating to the event should be made through the parish checking account; cash disbursements are prohibited. Control over cash disbursements relating to the event should conform to those identified in the cash disbursements section of the manual.

OTHER FUNDRAISING GUIDELINES

Anytime parish or school facilities are rented for a function not sponsored by the parish or school, the parish or school needs to make sure that the sponsoring person/organization has insurance obtained from Catholic Mutual via the form on their [website](#) or provided a certificate of insurance naming The Bishop of Charleston, A Corporation Sole, and the parish as additional insured.

It is prohibited to rent parish facilities and/or properties to for-profit organizations or to individuals who are not parishioners.

Due to the tax exempt status of the Diocese, fundraising activities that occur on a regular basis should be handled solely by volunteers. This would exclude paid employees of the parish from selling merchandise (other than religious articles) or food on an ongoing basis. Scrip should be sold solely by volunteers.

Specifically, in the Diocese of Charleston, bingo and raffles are not allowed. The College of Consultors decided at a meeting on December 18, 2007, that bingo will not be allowed as a fundraiser in the Diocese of Charleston. As for raffles, the State of South Carolina considers raffles to be a form of gambling, and the only gambling allowed in the state is the official South Carolina Education Lottery. While there has been proposed legislation that would allow various nonprofit groups – including Churches – to conduct raffles, such legislation has yet to be approved and accepted as law. Therefore, within the Diocese of Charleston, no raffles are to be conducted.

Church bulletins produced by the parish may not contain any advertising or sponsorships. Advertising income generated by regularly published periodicals is generally construed to be unrelated business income. It is the policy of the diocese to avoid activities that give rise to the creation of unrelated business income.

When funds are collected for cafeteria operations, after-school care and similar programs, specific programs should be in place to reconcile the funds received with a record of the individuals served. This should be prepared by individuals with no access to cash receipts.

XIV. GENERAL PRACTICES

Listed below are miscellaneous accepted business practices and sound management controls not listed elsewhere in this manual that should be employed in conducting the financial affairs of the parish.

PARISHIONER INVOLVEMENT

Parishioners selected to participate in the financial affairs and financial reporting of the parish should possess the personal attributes needed to effectively and competently perform their responsibilities in a trustworthy manner for the full benefit of the parish.

CONTRIBUTIONS/DONATIONS

A written acknowledgement is required to enable a donor to substantiate a charitable contribution of \$250 or more.

The acknowledgement must contain the following:

- Parish name;
- The amount of the contribution;
- A description (but not value) of a non-cash contribution;
- A statement that no goods or services were provided by the parish, if that were the case;
- A statement that goods or services, if any, that the parish provided in return for the contribution were entirely of intangible religious benefit, if that were the case;
- A description and good faith estimate of the value of goods or services, if any, that the parish provided in return for the contribution;
- A statement that the charitable contribution is limited to the excess of the amount paid over the value of the goods or services provided.

When preparing acknowledgements, be aware that the following are not tax deductible and therefore should not be acknowledged:

- A volunteer's time;
- Payments for faith formation;
- Contributions designed for an individual or narrow class of recipients, i.e. tuition for named individual; gifts to clergy for anniversaries.

Individual contributions over \$10,000 must be reported to the Chief Financial Officer.

Acceptance or refusal of a bequest is an act of extraordinary administration. Written permission from the Bishop of Charleston is required before a parish may accept a bequest. A copy of the will and other supporting documents must accompany the pastor's letter.

The Finance Council is to provide advice on the use of undesignated bequests and ensure compliance with diocesan policy that at least 50% of undesignated bequests of \$10,000 and above be invested in a parish endowment account or with the diocesan Deposit & Loan in an account in the name of the parish.

The pastor and Finance Council must obtain approval from the Bishop of Charleston to accept a gift or bequest with any defined restrictions of use. As restricted gifts are approved for acceptance by the Bishop of Charleston, the pastor and Finance Council must ensure that the parish formally accepts the funds from the donor, and the restricted funds are spent consistent with the donor restriction(s).

Supporting records of major gifts, bequests, and endowments should be retained as permanent financial records.

PARISH ENDOWMENTS

Each parish is strongly encouraged to establish and contribute to an endowment fund. An endowment fund should never be confused with short-term savings. The purpose of an endowment fund is to put current dollars to work for the distant needs/growth of the parish. Withdrawals may be made from an endowment fund only with written permission from the Bishop. Endowment funds may be established in one of two ways:

1. **BSA Endowment** – When a parish exceeds their BSA goal, one half (1/2) of the amount raised above their goal will be returned to the parish.

This is contingent upon the BSA campaign reaching its allocated goal.

A parish may contribute additional monies to their BSA endowment according to the guidelines outlined in the BSA Endowment document.

2. **Parish Established Endowment** – A parish may establish an endowment in addition to the BSA Endowment by contacting the Chief Financial Officer of the Diocese. He will work with you on establishing your endowment documents which must be approved by the Bishop.

SALE OF STOCK

PROCEDURE TO DONATE STOCK FOR THE BENEFIT OF A PARISH/SCHOOL OF THE DIOCESE OF CHARLESTON

<p>If the individual(s) holds the securities:</p> <p>(Morgan Stanley Smith Barney cannot process fractional shares. Please specify securities to be donated in whole numbers.)</p>	<p>The individual(s) sign the certificate exactly as it appears on the front of the certificate.</p> <p>Send the certificate(s) to Morgan Stanley Smith Barney, Attn: Derrick Sullivan, 200 Meeting Street, Suite 402, Charleston, SC 29401. Include a letter stating the securities are a gift to the diocese, a specific parish/school and/or specific campaign. Please send a copy of the letter and a copy of the certificate to the Finance Office, Diocese of Charleston, 1662 Ingram Rd, Charleston, SC 29407</p>
<p>If the individual's securities are held by a bank or brokerage:</p> <p>(Morgan Stanley Smith Barney cannot process fractional shares. Please specify securities to be donated in whole numbers.)</p>	<p>His/her broker should transfer the security according to the following instructions:</p> <p>DTC #0015 For further credit to: 946-108259-0-016 Bishop of Charleston FBO (Name of Parish/School or campaign)</p> <p>Also, please have the individual or the parish/school mail a letter notifying the diocese of the gift to the Finance Office, Diocese of Charleston, 1662 Ingram Rd, Charleston, SC 29407.</p>
<p>If the securities are issued in the name of the parish/school or Diocese of Charleston</p> <p>(We strongly encourage that securities not be issued in the name of the parish/school or diocese and the above options be followed.)</p>	<p>Please send the securities by certified mail to the Finance Office so that we can attach a signed corporate resolution and stock power.</p> <p>We will forward the securities to Morgan Stanley Smith Barney for processing.</p> <p>Also, please enclose a letter giving the diocese instructions to sell the securities and any other pertinent information concerning the transaction(s).</p> <p>(Note: Please do not endorse or sign the back of the securities.)</p>

Mutual Funds: If an individual would like to donate shares of a mutual fund, please have him/her contact John Maybank or Derrick Sullivan at Morgan Stanley Smith

Barney for details on how to complete such a gift as it is a more complicated process. They can be reached at 1-800-727-7701.

INDEBTEDNESS

Under no circumstances should a parish obtain a loan (including lease financing) from an outside party (i.e. banking institutions, private loans). Borrowing is permitted from the diocesan Deposit and Loan fund subject to prior approval from the Bishop. Under no circumstances should a parish enter into any lease agreement.

The Bishop of Charleston (or his designee) is the only person authorized to sign or execute any loan or lease arrangement for the parish.

RECORD RETENTION

Financial records should be maintained in accordance with the guidelines on the [diocesan website](#). Financial records should be physically protected against risk of destruction (i.e. fire and/or water damage) by utilizing fireproof cabinets, strong boxes, safes, etc.

ANNUAL ASSESSMENT

For the needs of the diocese and in accordance with Canon law 1263, the Bishop of Charleston assesses each parish and mission of the diocese a tax proportionate to parish income.

Assessable Revenue of Parish

Assessable income includes all regular offertory collections, designated offerings and other income not specifically exempted by the Bishop. Generally, these are revenues that are recorded in accounts numbered from 41xxxx through 49xxxx in the standard Chart of Accounts.

Two reductions to the assessment are granted:

1. 10 % of the total of Religious Education Expenditures minus fees collected
2. 10 % of total of School Assistance paid by a parish minus Catholic Schools collections.

Non-assessable Revenue of Parish

National and diocesan authorized second collections are not assessed. Interest earned by funds on deposit and invested with the diocese, or diocesan support (non-loan) are not assessed. Revenue specifically exempted by the Bishop is recorded in accounts 51xxxx through 59xxxx in the standard Chart of Accounts.

TRANSACTIONS REQUIRING BISHOP'S APPROVAL

To comply with civil and ecclesiastical law and diocesan statutes, the parish is required to obtain written permission from the Bishop prior to entering into certain activities. Examples of extraordinary acts of administration are listed in the Parish Finance Council Handbook.

Below are transactions that are subject to the Bishop's approval.

1. Capital project, construction or extraordinary purchases. A project cannot be broken down to smaller components to avoid limits for Bishop's approval;
2. Major renovations or repairs;
3. Any project involving asbestos in any amount;
4. Any sale of parish assets valued at greater than \$10,000;
5. Transacting mortgage agreements as part of the sale of parish property;
6. Rental/lease of parish-owned property in any amount;
7. Donation of parish-owned properties, furnishings, and equipment regardless of value;
8. Investment of monies in any amount (not including checking, savings accounts, bank CD's, or U.S. Treasuries);
9. Establishment of any endowment program;
10. Incurring indebtedness of operation, capital, or investment needs;
11. Refinancing existing loans;
12. Acceptance of a restricted gift;
13. All contracts.

TRAVEL AND ENTERTAINMENT

Documentation supporting all expenditures is extremely important, particularly for travel and entertainment expenses. A proper explanation that specifies business purpose and the retention of detailed records is necessary to support expenses reported. The following information should be retained to substantiate travel and entertainment expenses:

- Travel expenses – Date(s), nature, destination, amount, and business purpose. Receipts should be available for lodging and transportation. Acceptable receipts include detailed invoices or itemized cash register receipts. While signed credit card receipts should be submitted, they are not sufficient by themselves.
- Entertainment expenses – Date(s), nature or type of entertainment, amount, person(s) entertained, relationship, and business purpose. A detailed or itemized receipt should be available for every expenditure. While signed credit card receipts should be submitted, they are not sufficient by themselves.

Expense reports require original receipts and the requesting party's signature.

Refer to the [diocesan website](#) for travel and expense reimbursement forms.

XV. SALES AND USE TAX

The Diocese of Charleston is a 501(c)3 organization under the IRS tax code, as are those entities listed in the Official Catholic Directory under the auspices of the Diocese of Charleston. This status allows for exemption from property and income taxes. The Diocese of Charleston and parishes and schools of the Diocese of Charleston are **not** exempt from sales and use tax.

Since 1995, however, the South Carolina Legislature has voted annually to exempt **schools only** from paying use tax. This vote has been as a Proviso to the General Appropriations Bill of the General Assembly. We recommend that schools confirm the position of the General Assembly concerning the proviso at the commencement of each year.

Additionally, the South Carolina Department of Revenue, Article 5, Chapter 35, of Title 12 of the 1976 Code – Section 12-35-519 states, “The maximum tax levied under this chapter, with respect to the sale of each musical instrument or each piece of office equipment purchased by a religious organization exempt from income taxes under Internal Revenue Code Section 501 (c) (3) is three hundred dollars, if the musical instrument or office equipment is located on church property and used exclusively for the organization’s exempt purpose.

The religious organization shall furnish an affidavit to the seller who shall retain the affidavit for inspection by officials or agents of the Commission. The affidavit required by this section must be on forms prescribed by the Tax Commission. Persons who falsify or conspire to falsify the affidavit prescribed in this section are subject to the penalties prescribed by item (24) of section 12-35-550 in addition to all other penalties provided in this chapter.”

According to the current South Carolina Tax Code, religious organizations are not exempt from sales tax. The code merely provides a limit of \$300.00 of sales tax due on the purchase of office equipment but not computer software. See the [diocesan website](#) for a copy of the affidavit required for the \$300.00 limit to apply.

Copies of monthly/quarterly filings are required to be submitted to the diocese with the quarterly financial report package.