

ROMAN CATHOLIC DIOCESE OF CHARLOTTE

Financial Policy Manual

Including Financial Procedures for Parishes,
Missions, and Schools

The Pastoral Center
1123 South Church Street
Charlotte, NC 28203

Financial Policies of the Diocese of Charlotte

Including Financial Procedures for Parishes, Missions, and Schools

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***i.* INTRODUCTION**

This Manual has been prepared to provide Diocesan entities one comprehensive document containing the financial policies of the Diocese and the financial procedures to which all Diocesan parishes, missions and schools must adhere. It is intended to serve as a reference guide to all who are involved in parish/school/agency finances. The manual is organized by classification of financial activities into six major categories:

- Revenues & Related Activities,
- Expenditures & Related Activities,
- Employee/Independent Contractor Activities,
- Cash Management,
- Financial Reporting,
- Catholic Schools.

There is a significant responsibility associated with being stewards of the temporary resources of the Church. Responsibility to safeguard the Church's assets, to exercise prudence in financial matters, to be accountable to those who provide monetary support to the Church, and to comply with all civil regulations. The financial policies and procedures contained in this manual have been established to assist those entrusted with this responsibility. The following concepts serve as the foundation for these financial policies and procedures:

- Accountability to parishioners,
- the use of generally accepted accounting practices,
- the adoption of a systematic approach to internal controls, and
- adherence to governmental regulations and Church policy.

In order to fulfill the responsibilities of stewardship, these policies must be adhered to by all diocesan entities. It is the responsibility of pastors, principals and agency directors to enforce compliance with the policies contained in this manual. And, it is the responsibility of the Diocesan Finance Office to monitor compliance. It is incumbent on all involved in diocesan finances to understand and embrace their roles in complying with these policies and procedures.

ii FINANCIAL GOVERNANCE STANDARDS

Principles for Strong Financial Governance

1. The Diocese of Charlotte has adopted a Code of Ethics that:
 - *addresses principles of ethics and integrity for all Church personnel*
 - *stipulates guidelines for working with minor children,*
 - *addresses conduct for pastoral counselors and spiritual directors,*
 - *forbids harassment,*
 - *identifies prohibited political activities, and*
 - *addresses confidentiality.*
2. The Diocese of Charlotte has adopted a Conflict of Interest Policy that:
 - *requires reporting of potential or real conflicts of interest,*
 - *prohibits gifts and favors of value that could influence, or be construed as influencing a decision or obligation in the performance of one's duties,*
 - *prohibits board members from soliciting business or favors, and from voting on decisions that may constitute a conflict of interest, and*
 - *prohibits board members from influencing any activity that could confer a benefit on such member or anyone in the member's family or business.*
3. The Diocese of Charlotte has adopted a Whistle-blowing and Reporting Ethical Misconduct Policy that:
 - *requires reporting of violations of the Code of Ethics by Church personnel,*
 - *stipulates that all reports will be treated in confidence as much as the diocese's duty to investigate allows,*
 - *stipulates that all reported violations of the Code of Ethics will be investigated, and*
 - *prohibits retaliation against a person who makes a complaint or provides information regarding any reasonably perceived reportable activity.*
4. The Diocese of Charlotte has adopted a Fraud Policy which clearly states that fraud is not tolerated and that the prevention of fraud is the responsibility of all personnel involved in Church administration. The policy:
 - *stipulates that all suspected cases of fraud are to be reported and provides assurance against recrimination,*
 - *defines actions constituting fraud,*
 - *outlines reporting and investigating procedures, and*
 - *stipulates that fraudulent acts will be subject to disciplinary action, up to and including termination, and civil and criminal prosecution.*
5. The Diocese of Charlotte has adopted an Audit Services Pre-approval and Independence Policy that:
 - *requires the diocesan Finance Council to pre-approve all services to be provided by an audit firm and the fees for those services,*

- *precludes specific services that could impair the auditor's independence,*
 - *requires audit partner rotation after seven consecutive years of service, and*
 - *stipulates minimum reporting standards by auditors to the diocesan Finance Council.*
6. The Diocese of Charlotte has issued a records retention schedule for financial records that is consistent with the guidelines published by the United States Conference of Catholic Bishops. The schedule identifies the required retention period for all types of financial records typically associated with Church organizations.
7. The Diocese of Charlotte has issued budgeting and financial reporting guidelines for all diocesan parishes, schools and agencies. The guidelines stipulate that:
- *budgets are to be prepared annually,*
 - *the pastor and finance council review actual revenues and expenses against budgeted amounts on a regular basis,*
 - *quarterly financial reports be issued to the parish council and a semi-annual financial report be issued to the entire parish community, and*
 - *the financial reports and supporting schedules which are required by the Chancery semiannually.*

Principles for Strong Financial Oversight

8. The Diocese of Charlotte has an active Investment Committee with an established charter to monitor investments and ensure compliance with investment policy and socially responsible investment guidelines.
9. The Diocese of Charlotte has an active Building Commission to monitor construction projects and ensure compliance with diocesan guidelines for new acquisitions, and construction and renovation projects.
10. The Diocese of Charlotte has an active Finance Council with an established charter to monitor diocesan finances and to fulfill the requirements of canon law. Among other responsibilities, the diocesan Finance Council:
- *approves the hiring of an independent audit firm.*
 - *approves the budget of the Central Administration,*
 - *approves the annual financial report,*
 - *receives required communications from the audit firm,*
 - *approves the asset allocation ranges for diocesan investments, and*
 - *approves diocesan assessments and all transactions requiring Finance Council approval by canon law.*
11. The Finance Council of the Diocese of Charlotte submits an annual Representation Statement to the metropolitan archbishop certifying to executing its responsibilities and specifying meeting dates during the previous fiscal year and since yearend. The

Representation Statement is signed by each member of the diocesan Finance Council, the bishop, vicar general and chief financial officer.

12. Annual independent audits are required for all significant diocesan entities (other than parishes, and parish and inter-parochial schools).
13. The annual financial report of the diocese (including financial statements and footnotes, the report of the independent auditor, and commentary on the activities of the diocese, as well as a financial commentary) is mailed to every registered household and posted to the diocesan website within 120 days of the fiscal year end.

Principles for Strong Financial Management

14. The Diocese of Charlotte requires Chancery authorization to open all bank and investment accounts.
15. The Diocese of Charlotte has adopted an Investment Policy Statement and Socially Responsible Investment Guidelines that are reviewed periodically.
16. The Diocese of Charlotte has adopted standard procurement procedures and requires competitive bids when hiring an outside vendor/contractor to perform repairs, maintenance and/or improvements to diocesan properties when the total cost exceeds \$5,000.
17. The Diocese of Charlotte has established guidelines for new acquisitions and construction or renovation projects that address the necessary planning, financial requirements and construction process.
18. The Diocese of Charlotte has adopted a Clergy Remuneration Policy that stipulates compensation levels for all clergy, delineates travel, housing and meal expenses that are the responsibility of the parish vs. the priest, and summarizes benefit plans available to diocesan priests.

Additional Principles for Parish Financial Governance

19. The Diocese of Charlotte has standard cash collection count procedures that require [three or more](#) unrelated counters, the use of [serially numbered tamper evident](#) bank bags for transporting deposits, and the use of standard count sheets which are signed by all counters.
20. The Diocese of Charlotte has adopted a standard chart of accounts that is used by all parishes.
21. The Diocese of Charlotte requires that a representation statement certifying to parish finance council activities be submitted to the Chancery semiannually by every parish. The

certification specifies meeting dates during the previous six-month period, that the council regularly reviews parish financial statements and discusses the financial condition of the parish at its meetings, and is signed by each member of the parish finance council and the pastor.

22. The Diocese of Charlotte Finance Office conducts annual workshops for parish finance council members, parish financial staff and pastors that address timely issues pertaining to parish financial policies and procedures and civil regulations.
23. The Diocese of Charlotte Finance Office performs parish financial reviews designed to test the existence and effectiveness of parish internal accounting controls and compliance with diocesan policies and civil regulations. At the conclusion of each parish financial review, a report is issued to the pastor that includes recommendations related to deficiencies identified.
24. The Diocese of Charlotte Finance Office monitors the financial condition of parishes by reviewing financial trends semiannually. When negative trends are identified, appropriate investigation and follow-up is undertaken.
25. The Diocese of Charlotte Finance Office has codified all financial policies and procedures for parishes, missions and schools in an online manual.

Matthew P. Ferrante
Chief Financial Officer

REVENUES & RELATED ACTIVITIES

101 PROCESSING RECEIPTS

101.1 Collection Basket Receipts

After the offertory collection, baskets from the collection are to be combined by at least two ushers. The funds may be brought to the front of the church for the remainder of the service, or they may be secured for counting immediately. Funds collected should remain intact until deposited at the bank; cash/checks/envelopes should never be removed from the collection for any purpose. If the funds are placed at the front of the church for the remainder of the service, they should be removed from the altar by two ushers immediately following the end of the Mass or service. If the collection is not counted during/immediately after Mass, provision should be made by the office staff to issue [serially numbered tamper evident bags](#) for each Mass. The office staff is to maintain a master log of all [serially numbered tamper evident](#) bags. Upon issuing the bags for the weekend Masses, the bag numbers issued should be recorded on the master log. The master log should be attached to the bags being issued. The log and the bags for the upcoming weekend should be stored in a secure area, of which the ushers have access. A copy of the log should be made after the weekend issue is recorded. The copy should be retained in the parish office, in the event the original is misplaced or mishandled.

Immediately following the collection or immediately following Mass (if the funds are brought to the altar during the offertory procession), two ushers should place the funds into [a serially numbered tamper evident bag](#). The seal tag should be removed from the bag, attached to log and recorded as used on the log. The log should be signed and dated by all the ushers handling the funds (at least two). The sealed used bags are to be transported by two ushers to a secured area, i.e., a safe or a locked fireproof filing cabinet in the sacristy. (The secured area should be one that cannot be picked up and moved by someone). At the conclusion of the last service for the weekend, the log should be attached to the bag and dropped into the safe.

The diocese strongly encourages the use of safes with hoppers. The bag can be dropped into the safe via the hopper. Only the pastor and the business manager need access to the safe. After the last service for the day, the funds are to be secured in a safe or taken to the bank for deposit (using the bank night depository if the bank is closed). No funds are to be left unsecured in the church overnight.

The collection is to be counted and recorded by at [least three](#) designated, unrelated persons. (See section 102 for Count/Deposit Procedures).

101.2 Fund Raisers-Food Sales

When fundraisers are held in the form of selling food provided and served by volunteers:

1. Pre-numbered tickets are to be sold, which are then remitted in exchange for the food item. A log of ticket numbers issued, returned and sold must be maintained.
2. At least **three** unrelated people are to be designated to issue tickets and collect the money from those who attend.
3. The tickets are to be issued in sequential order so that missing tickets can easily be identified.
4. Once all payments have been collected, at least **three** of the designated people must remain with the cash and checks until it is either counted by at least **three** unrelated individuals, or transferred to a **serially numbered tamper-evident bag** and secured in a locked container along with the unsold ticket stubs.
5. A signed receipt is to be issued to show the amount of cash/checks transferred from those collecting the money to those counting it.
6. **Three** (or more, if necessary) different people from those collecting cash and tickets are to count the money and reconcile the total amount to the number of tickets sold. (If the funds were stored in tamper evident bags prior to counting, they are to be unsealed/opened in the presence of at least **three** counters).
7. Members of the count team not involved in sealing or transporting the bags should verify all the bag numbers used/unused by writing their initials next to each bag number, as it is opened, on a log containing the bag numbers originally issued ([Appendix X- Cash Bag Control Sheet](#)). (If any bag is missing or there is evidence that any bag was tampered with, a report should be made to the diocesan Finance Office immediately).
8. The counters are to count the money and reconcile the funds received to the number of tickets sold on [Appendix Y- Fundraising Count Sheet Form](#) (for example, \$500 in cash and checks should be on hand if 100 tickets were sold at \$5 each). This count sheet must list the cash by denomination (1's, 5's, 10's, 20's, etc. and loose change) and a list of the checks by amount must be attached (using an adding machine that prints an item count and total). The count sheet should also identify the ticket numbers not returned (i.e. sold) and mathematically calculate the amount of cash and checks that should be on hand based on the tickets sold. Any discrepancies must be investigated and resolved immediately.
9. Once reconciled, each count team is to:
 - a. Both sign and date the reconciliation/count sheet,
 - b. Stamp or write 'For Deposit Only' and the account number on the back of the checks,
 - c. Prepare a deposit slip and a second adding machine tape of the checks for inclusion with the deposit.
 - d. Transfer the cash, coins, checks, deposit slip and duplicate of the adding machine tape to a **serially numbered tamper-evident bag**.

- e. Deposit immediately, or immediately following the event. Overnight deposit receptacles are available at most bank branches where a deposit has to be made after-hours or on the weekend.
 - f. If a deposit cannot be made immediately following the event, the money must be secured in a locked receptacle (in the [serially numbered tamper evident bag](#)).
10. After the deposit is made, the bank validated deposit slip is to be compared to the original deposit ticket and the count sheet by someone independent of the count/deposit function. Any discrepancy is to be immediately investigated. Unresolved discrepancies are to be reported to the diocesan Finance Office immediately.
11. All deposit supporting documentation is to be retained on file.

101.3 Retreat/Event Fees

When funds are being collected for a retreat or other event:

1. Pre-numbered receipts are to be issued and a log of receipts issued, returned and used must be maintained.
2. At least two unrelated people are to be designated to issue signed receipts and collect the money from those paying.
3. The receipts are to be issued in sequential order so that missing receipts can easily be identified.
4. A carbon copy of the receipt is to be made and retained in the receipt book as a permanent record of the transaction.
5. Once all payments have been collected, at least two of the designated people must remain with the cash and checks until it is either counted by at least **three** unrelated individuals, or transferred to a **serially numbered tamper-evident bag** and secured in a locked container along with the unused receipts.
6. A signed receipt is to be issued to show the amount of cash/checks transferred from those collecting the money to those counting it.
7. **Three** different people from those collecting cash and receipts are to count the money and reconcile the total amount to the number of receipts issued.
8. If the funds were stored in tamper evident bags prior to counting, they are to be unsealed/opened in the presence of at least **three** counters.
9. Members of the count team not involved in sealing or transporting the bags should verify all the bag numbers used/unused by writing their initials next to each bag number, as it is opened, on a log containing the bag numbers originally issued ([Appendix X- Cash Bag Control Sheet](#)). (If any bag is missing or there is evidence that any bag was tampered with, a report should be made to the diocesan Finance Office immediately).
10. **Three** counters are to count the money and reconcile the total amount to the number of receipts issued on [Appendix Y- Fundraising Count Sheet Form](#) (for example, \$500 in cash and checks should be on hand if 100 receipts were issued at \$5 each). This count sheet must list the cash by denomination (1's, 5's, 10's, 20's, etc and loose change) and a list of checks by amount must be attached (by using an adding machine that prints an item count and total). The count sheet should also identify the receipt numbers not returned (i.e. issued) and mathematically calculate the amount of cash and checks that should be on hand based on the receipts issued. Any discrepancies must be investigated and resolved immediately.
11. Once reconciled, each count team is to:
 - a. Both sign and date the reconciliation/count sheet,
 - b. Stamp or write 'For Deposit Only' and the account number on the back of the checks,
 - c. Prepare a deposit slip and duplicate the adding machine tape of the checks for inclusion with the deposit.
 - d. Transfer the cash, coins, checks, deposit slip and duplicate of the adding machine tape to a **serially numbered tamper-evident bag**.

- e. Deposit immediately, or immediately following the event. Overnight deposit receptacles are available at most bank branches where a deposit has to be made after-hours or on the weekend.
 - f. If a deposit cannot be made immediately following the event, the money must be secured in a locked receptacle (in the [serially numbered tamper evident bag](#)).
 - g. Take the names from the receipts and record them or compare them to a list of outstanding receivable balances to make sure that cash receipts are being applied appropriately to each individual's outstanding balance.
12. After the deposit is made, the bank validated deposit slip is to be compared to the original deposit ticket and the count sheet by someone independent of the count/deposit function. Any discrepancy is to be immediately investigated. Unresolved discrepancies are to be reported to the diocesan Finance Office immediately.
13. All deposit supporting documentation is to be retained on file.

101.4 Poor Box/Votive Offerings

The funds are to be collected at least weekly. At the time collected, the funds are to be counted and the amount documented, signed, and dated by the person(s) performing the count. They are to be placed in a non-portable secure area until deposited in the bank. Follow the applicable steps outlined under section 102: Count/Deposit Procedures.

101.5 Receipts Received by Mail

Receipts received by mail or those that are hand delivered should be processed by one of the following procedures:

- Funds received in an offertory envelope should be placed in a non-portable secure area until the next regular collection. These receipts should be included when that collection is counted.
- For funds received with a special designation, the restriction/purpose should be recorded with the deposit and documented in the cash receipts journal when completed.
- Other funds received in the form of a check (not in an offertory envelope) should be endorsed (for deposit only/church name/account number) and placed in a non-portable, secure area until the next collection. These receipts should be included when that collection is counted.
- Funds received in the form of cash should be counted and placed in an envelope, which is to be sealed. The amount is to be recorded on the envelope and signed and dated by the person performing the count. They should be placed in a non-portable, secure area until the next collection. These receipts should be included when that collection is counted.

If the amount is substantial, funds should be deposited in the bank on the day received. Follow the applicable steps outlined under section 102: Count/Deposit Procedures, including the completion of a signed cash receipts journal.

102 COUNT/DEPOSIT PROCEDURES

102.1 Count Procedures

The count is to be performed by at least **three** designated, unrelated persons. If a designated counter is not available, then a substitute counter should be assigned. The parish should establish teams of counters. The teams should be made up of 3 or more individuals, depending on the size of the parish. The teams should be rotated monthly. A list of substitute counters, with contact information, should be maintained.

The collection is to be retrieved by the **three** unrelated counters. The **serially numbered tamper evident bags** are to be unsealed in the presence of at least **three** counters. Members of the count team not involved in sealing or transporting the bags should verify all the bag numbers used/unused by writing their initials next to each bag number, as it is opened, on the sub-log containing the bag numbers originally issued. If any bag is missing or there is evidence that any bag was tampered with, a report should be made to the Pastor and the diocesan Finance Office immediately. The sub-logs should be returned to the parish office and the master log updated for bags used/unused. The office staff is to attach the sub-logs to the master log, ensuring all bags have been accounted for.

The following supplies should be available before the count is started.

1. cash receipts count sheet (Appendix B),
2. deposit stamp ("for deposit only/church name/account number"),
3. deposit slip,
4. adding machine, and
5. parishioner listing.

The collection should be separated by the various accounts, as shown on the cash receipts count sheet. The following procedures are to be performed for each account:

1. Separate church envelopes from loose checks and loose cash. Organize currency and coins by denomination.
2. Count and record the cash, using the following procedures:
 - a) Count and record the quantity of each denomination received (e.g. \$20 bills: 6; \$10 bills: 32, etc.). Multiply the denomination by the quantity and sum these amounts. Record the total.
 - b) Count the currency and coins in the traditional manner. Record the total.
 - c) Then compare the totals in (a) and (b) above. Investigate any discrepancies.
 - d) Record the total amount of currency and coins received on the deposit ticket.

Checks which are not in an envelope should be kept separate and photocopied.

- e) If the census is handled manually, each check should be recorded during the count process. If the name is not on the official donor list, record the name and the amount on the list.

- f) If the census is handled by computer software, copies of loose checks should be bundled with opened envelopes. After the count has concluded, the envelopes and loose check copies should be entered into the census software program. If the name is not included in the donor data base, create a new record for the donor.
3. Open all envelopes and check to see if the amount written on the outside of the envelope agrees with the enclosed amount. Circle the amount, if correct. If incorrect, mark and circle.
 - a) If the census is handled manually, each envelope should be recorded on the donor list during the count process.
 - b) If the census is handled by computer software, opened envelopes should be bundled with loose check copies, and then entered into the program.
4. Endorse all checks, using the deposit stamp.
6. Prepare two adding machine tapes of all the checks received. (Set the adding machine so that the number of entries is accumulated on the left side of the tape.) Ensure that the totals of the two tapes agree.
7. Prepare an adding machine tape of the amounts recorded on the donor listing. (Set the adding machine so that the number of entries is accumulated on the left side of the tape.)
8. Compare the totals from steps (6) and (7) above. Investigate any discrepancies.
9. Record the total amount of the checks on the deposit ticket and attach one of the adding machine tapes of the checks. Identify the adding machine tape by stamping with the deposit stamp.
10. Record the totals on the cash receipts count sheet corresponding to each account or type of income/collection. All counters are to sign and date the cash receipts count sheet. Keep the deposit slip copy and send the original deposit slip to the bank.
11. Place the deposit and the original deposit slip into a [serially numbered tamper evident bag](#), seal the bag and deposit it in the bank. The bank will process a receiving slip for the deposit and hold for pick-up or mail back to the parish. The numbered bag seal should be removed and stapled to the count sheet and deposit slip copy.
12. An entry to record the deposit should be made in ParishSOFT Accounting by reference to the completed cash receipts count sheet.
13. Compare the receiving slip issued by the bank with the deposit slip copy and with the cash receipts count sheet. Investigate any changes or differences.
14. Reconcile the total of loose checks and envelopes from the count sheet to the total of the weekly census (contribution) batch report. Any discrepancy should be investigated and resolved immediately.

102.2 Deposit Safety Guidelines

Employee and volunteer safety is of greatest priority. Please consider the following when making deposits:

1. Never make a deposit alone
2. Never make a deposit after dark
3. Always conceal the deposit bag in a backpack, brief case, etc.
4. Vary the schedule for going to the bank
5. Be alert to the surroundings

6. Never approach the night deposit box when people are lurking around
7. Never, ever resist relinquishing the funds if confronted
8. Personal safety is paramount over safeguarding the funds
9. Consider using a courier service.

103 BOOKKEEPING PROCEDURES

103.1 Recording Routine Activity

After the receipts are counted, the totals of each account for which there is deposit activity are to be recorded in the cash receipts count sheet by type of income/collection. All counters are to sign and date the cash receipts count sheet. Each deposit should also be recorded in the ParishSOFT Account program. (This procedure is addressed in steps 10 and 12 of section 102: Count/Deposit Procedures.)

103.2 Deposit Adjustments/Corrections

Upon notification of an error by the bank, investigate the discrepancy to identify the cause, and perform the following:

- adjust the deposit entry in ParishSOFT Accounting; and
- adjust the cash receipts count sheet accordingly.

Upon receipt of a returned check by the bank (NSF, closed account, etc.), perform the following:

- adjust the cash receipts count sheet accordingly;
- make an adjusting entry in ParishSOFT Accounting, referencing the appropriate cash receipts count sheet;
- contact the check writer to determine if funds are available to cover the check; if so, redeposit the check the next time a bank deposit is made (if it has not previously been returned by the bank). If returned by the bank a second time, the returned check can be sent to the issuer or retained on file.

104 GUIDELINES FOR PROCESSING CREDIT CARD INFORMATION

The following guidelines are designed to ensure compliance with the **Payment Card Industry (PCI) requirements** and **Data Security standards**:

104.1 Handling Credit Card Information:

Direct the donor to the online giving web site! The best business practice, and recommended by ITS Security, is for donors to go online and enter credit card information themselves using a secure giving web page.

1. Do not accept credit card information via email. If an unsolicited email containing credit card information is received, reply to the sender (removing the card info) and provide them with a link to the online giving page. Email is not an accepted method to receive credit card information.
2. Do not enter the gift online 'as though' you are the donor/cardholder. Because of the specific security requirements associated with PCI compliance, it is not allowable for a staff person or volunteer to enter a cardholder's credit card information onto the giving web page. See below for procedures for processing credit card information received from a donor/cardholder.
3. Following-up on credit card numbers that are rejected
 - a. Call the cardholder and immediately identify yourself. Provide them your full name.
 - b. Thank them for their gift/payment and explain that in processing the gift/payment the credit card number could not be processed.
 - c. Read the credit card number that was provided on the pledge card/transmittal form and ask if it is correct.
 - d. Hand-write corrections on the pledge card/transmittal form.
 - e. Thank them again for their gift/payment and their time.
 - f. Never ask for the CSC or CVV number (3 or 4 digit Card Security Code). It is not required to process a credit card and should never be asked for over the phone or on printed materials.
4. When soliciting gifts or requesting payment, always enclose a pre-addressed envelope that is addressed to the specific department processing the gift/payment. This limits the possibility of having the credit card information exposed to multiple people.
5. Delivering Credit Card Information to the Office for Processing
 - a. If credit card information is delivered for processing by another department or office (either on a pledge card or other form of transmittal), it must be mailed (USPS, FedEx, UPS, etc), delivered via interoffice mail in a sealed envelope, or hand delivered directly to the individual who will be processing the gift. Unsealed credit card information is never to be left unattended (lying on a desk, open in an inbox, in a chair, etc.); it must always be locked up, except during processing.

- b. The original pledge card is required; copies of credit card numbers are not to be made. Copies of credit card numbers are not to be kept by any department or office.

104.2 CreditCard Processing Procedures

- a. Upon receipt of credit card information (whether received directly via U.S. mail, through interoffice mail, or on pledge cards or authorization forms completed in the office), the information is to be locked in a desk drawer, file cabinet or safe until ready for processing.
- b. All pledge card envelopes are delivered, unopened to the staff person responsible for processing donor gifts. Any credit card payment or pledge is set aside for processing by the designated staff person. The cards are locked in a desk or safe until processing.
- c. The designated staff person removes from the safe/locked desk drawer only the number of cards to be processed at one sitting.
- d. The designated staff enters their user login information directly into the system, not via the giving web page. The user information is specific to each staff person and is not shared.
- e. Upon entering the information, the full card number is only visible while processing the specific record. Once the next record is started all but the last four digits should be masked/encrypted. All reports should contain only the last 4 digits of the card number. (The 3 digit security code is not required for processing.)
- f. The staff person keeps the items in view at all times.
- g. After processing is confirmed, the designated staff person immediately cuts off the card number on the pledge cards and shreds the numbers.
- h. The designated staff person prints the approved transactions and files/forwards with supporting documentation.
- i. If the staff person has to leave for any reason, all credit information is locked up.
- j. When online gifts are entered directly by donors, only the last 4 digits of the card number should be visible to staff.

104.3 Procedures for Processing Credit Card Information at Fund Raisers

- a. The individual in charge establishes a secure area for accumulating credit card information the night of the fundraiser.
- b. In the week prior to the event, designated staff are assigned specific tables at the fundraiser.
- c. At the event, each fundraising table has been supplied with blank pledge cards and empty envelopes. The processing area has been supplied with adding machines, large envelopes, rubber bands, staplers, tape, pens & paper.
- d. Immediately after the “ask”, the attendees are directed to complete their pledge cards and seal them in the envelopes provided.

- e. Attendees are directed to raise their hands or otherwise notify the staff that they are ready for collection.
- f. The designated staff or “collectors” proceed to each table to collect the sealed envelopes, blank pledge cards, and empty envelopes.
- g. The collectors hand-deliver the items to the designated staff or “handlers” in the secure area.
- h. Handlers open each envelope. Cash gift amounts are written on the pledge card and returned to the pledge envelope. Checks are stapled to the pledge card. Cash, checks and credit card pledges are sorted by type. The handlers total the sorted groups. Groups are banded and sealed in large envelopes.
- i. The envelopes are transported to the office and placed in a locked safe or to a bank night depository by two staff persons, with a police escort.
- j. The large envelopes are retrieved the next business day and the credit card pledges are processed by the designated staff. (See Credit Card Processing Procedures above.)

105 ACCEPTING & ACKNOWLEDGING CONTRIBUTIONS

105.1 Stock Gifts

Upon receipt of the stock into the diocesan brokerage account, the Finance Office will sell the stock and remit the proceeds to the parish/school/agency. Under no circumstances is a parish, school or agency permitted to open an account with a brokerage firm for the purpose of selling gifted stock or any other reason.

Acknowledgments of stock gifts which comply with IRS guidelines will be mailed directly from the Chancery to the donor. The parish/school/agency has no responsibility to acknowledge these gifts. The parish/school/agency should not record the dollar amount of the gift in the donor's contribution record or statement of contributions. If the stock gift was designated by the donor to be applied to an outstanding pledge, the pledge amount should be reduced by the net proceeds of the gift. However, the amount should not be included on the donor's statement of contributions.

105.2 Qualified Charitable Distributions

A qualified charitable distribution (QCD) is a nontaxable distribution made directly by the trustee of an IRA to an organization that is eligible to receive tax deductible contributions. In 2015 year-end legislation, Congress made this provision permanent. A distribution from an IRA is deemed non-taxable to the individual when the distribution is contributed directly to a qualifying charitable organization. Individuals who have attained the age of 70 ½ may make the contributions. The maximum amount per year is \$100,000. QCDs may be made from any IRA or individual retirement annuity, but not from a simplified employee pension, a simple retirement account or an inherited IRA. QCDs automatically satisfy required minimum distributions (RMDs) for the year when the QCD is made.

To make the contribution, the donor should instruct the IRA trustee or custodian to issue a check from the IRA directly to the parish/school/other diocesan entity and notify the parish/school/other entity to expect the IRA donation.

The distribution from the IRA is reported on the donor's Form 1040, but as a non-taxable distribution. There is no charitable deduction for the contribution.

The parish/school/other entity must give the donor a timely written acknowledgment of the payment, specifically stipulating that it was an IRA distribution received directly from the IRA custodian or trustee and that no goods or services were given in connection with the IRA distribution. The acknowledgement serves to substantiate the donor's claim that the distribution is excludable from income.

The entire distribution must be paid to the charity with no quid pro quo. The exclusion applies only if a charitable deduction for the entire distribution would have been allowable. Thus, if the donor receives (or is entitled to receive) a benefit of any value in connection with the transfer to the charity from the IRA, the exclusion isn't available for any part of the IRA distribution.

[We recommend that you consult your tax or financial advisor when making Qualified Charitable Distributions.](#)

105.3 Awards from Donor Advised Funds

A donor advised fund is one in which the donor contributes to a fund held by a charitable sponsor. The donor receives an immediate tax benefit for the total contribution to the fund. Over time, the donor advises the sponsor to award grants or gifts to the charity of the donor's choice. Receipt of an award or gift from a donor advised fund requires two acknowledgements. The charitable sponsor is the official donor; the gift should be recorded on a donor record for that organization. The gift should also be "soft" credited (acknowledged as a non-deductible gift) to the specific donor who advised the gift.

105.4 Vehicle Donations

The parish/school/agency should notify the diocesan properties office of any donation of vehicles, boats, or planes prior to acceptance. Once notified, the properties office will seek permission from the Chancery for the parish/school/agency to accept the donation. Once permission has been received from the Chancery, the parish/school/agency must then decide what it intends to do with the vehicle, as follows:

- Sell the vehicle, or
- Donate the vehicle to an individual or other entity, or
- Keep the vehicle for parish/school/agency use

All vehicles are to be titled in the name of the Diocese of Charlotte. The Properties office is responsible for transferring the title for all donated vehicles.

Congress has decided that the price for which a charity ultimately sells a vehicle is a better measure of the tax deductible value of a vehicle rather than an established market value. Therefore, effective for donations of vehicles, boats and airplanes after December 31, 2004, the tax deductible amount of the donated item is the amount which the charity receives in selling it.

If the charity plans to sell the vehicle without significantly using it, or improving it, the charity must provide an acknowledgment with the following information:

1. The donor's name and Social Security Number
2. Description of the vehicle: make, model, and VIN (vehicle identification number)
3. A statement that the vehicle was sold in an "arms length" transaction between unrelated parties
4. The gross proceeds from the sale of the vehicle.
5. A statement that the deductible amount is limited to the gross proceeds.

The charity must provide this information to the donor within 30 days of the sale of the vehicle donated to the charity. The donor is required to attach the acknowledgment to the tax return on which the corresponding deduction is claimed.

If the charity plans to use the vehicle in its ministry (which includes donating it to a needy individual), or make material improvements to it (major overhaul, paint job, etc., not just a car wash and an oil change), the charity must provide an acknowledgment with the following information:

1. The donor's name and Social Security Number
2. Description of the vehicle: make, model, and VIN (vehicle identification number)
3. A statement of the intended use or material improvement of the vehicle, and the intended duration of that use
4. A statement that the vehicle would not be sold before completion of that use or improvement

The charity must provide this information to the donor within 30 days of the donation of the vehicle to the charity. In this case, the donor may use the fair market value (Blue Book) of the vehicle for tax deductible purposes. The donor is required to attach the acknowledgment to the tax return on which the corresponding deduction is claimed.

Reporting to the IRS

The parish/school/agency must file Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes with IRS for any contribution of a vehicle received with a claimed value of more than \$500. This form must be submitted to IRS, with a copy to the donor, on or before February 28th of each year. In lieu of a written contemporaneous acknowledgment, the parish/school/agency may use Copy B of Form 1098-C to the donor, (which contains the same information required in a written acknowledgment), if it is provided to the donor within 30 days of the donation of the vehicle. If Copy B is used to provide contemporaneous acknowledgment, the Diocese recommends that an accompanying letter be sent to the donor thanking him/her for the donation.

105.5 Other Non-Cash Gifts

The following gifts are not to be accepted unless approved by the Chancery office: bonds, insurance policies, investment interests, real estate, vehicles, boats, etc.

A taxpayer may not take a charitable deduction for donations of clothing and household items unless the items are in good used condition or better. The parish/school/agency or mission should indicate the condition of the items donated on the acknowledgment.

105.6 Acknowledgments-General

A charitable contribution is a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without getting, or expecting to get, anything of value. The following payments do not constitute charitable contributions:

- The value of volunteer services is not tax deductible to the donor. Do not include a dollar amount in the donor's statement of contributions.
- Payments received for services rendered are not deductible to the donor. Do not include a dollar amount in the donor's statement of contributions.
- Contributions earmarked by a donor for a particular individual or narrow class of recipients aren't deductible by the donor. That is so even when they benefit someone who would otherwise qualify to receive a payment from a parish/school/agency.

Effective for contributions made on or after January 1, 2007, a taxpayer may not take a charitable deduction for a cash gift of any amount unless the taxpayer has maintained records of support in the form of:

- A cancelled check, or
- A wire transfer acknowledgment, or
- A credit card record, or
- A written communication from the donee showing the name of the donee and the date and amount of the contribution.

As such, parishes and missions should post identifiable cash contributions of all amounts to the parish census program. The following additional rules apply to contributions of \$250 or more.

Effective for contributions made on or after January 1, 1994, a taxpayer may not take a charitable deduction under section 170 of the Internal Revenue Code ("Code") for any contribution of \$250 or more unless the taxpayer substantiates such contribution with a contemporaneous written acknowledgment from the charitable organization to which the donation was made [I.R.C. s.170 (f)(8)]. A canceled check will not constitute adequate substantiation for a contribution of \$250 or more. Separate payments generally will be treated as separate contributions and will not be aggregated for purposes of applying the \$250 threshold.

The written acknowledgment must contain the following information: (1) the amount of cash contributed, or a description (not a valuation) of contributed property other than cash and its condition (for items of clothing or household items); (2) the date of the contribution; (3) an indication whether the donee organization provided any goods or services in whole or partial consideration for any contribution (if not, the acknowledgment must specifically so state); and (4) a description and good faith estimate of the value of any goods or services provided by

the charitable organization in consideration for the payment; or (5) if such goods or services consist solely of intangible religious benefits, a statement to that effect. The taxpayer bears the burden of requesting appropriate acknowledgment.

Therefore, at a minimum, all diocesan churches and organizations must keep a record of all contributions of \$250 or more and respond to all requests for written acknowledgments by donors. However, *the policy of the Diocese of Charlotte is that all donations of \$250 or more be acknowledged on a timely basis (within 30 days), except for recurring offertory gifts of \$250 or more, in which case acknowledgments may be sent annually.* The recommended formats for an acknowledgment are included as appendices. Appendix D should be used to acknowledge individual contributions of \$250 or more other than quid pro quo contributions (see below). Appendices E and F should be used when notifying contributors of the amount of their aggregate annual giving (individual contributions of \$250 or more are separately identified); appendix E when there is no quid pro quo and appendix F when there is quid pro quo in addition to non- quid pro quo contributions.

Disclosure Requirements for Quid Pro Quo Contributions

Effective for contributions made on or after January 1, 1994, charitable organizations must inform donors in writing that quid pro quo contributions in excess of \$75 are deductible only to the extent they exceed the value of any goods or services provided by the charitable organization in return [I.R.C. s. 6115]. For purposes of this provision, quid pro quo contributions are defined as payments made partly as contributions and partly in consideration for goods or services furnished to the donor.

In connection with the solicitation or the receipt of a quid pro quo contribution, charitable organizations must provide a written statement that: (1) informs the donor that the amount of the contribution deductible for federal income tax purposes is limited to the excess of the amount of money or property contributed over the value of the goods or services provided by the charitable organization; and (2) provides the donor with a good faith estimate of the value of such goods or services. Disclosure statements may be made in any reasonable manner likely to come to the attention of the donor. Thus, disclosure statements may be placed on solicitation materials, event programs, tickets, etc.

Therefore, all diocesan churches and organizations involved in fundraising events involving quid pro quo contributions in excess of \$75 must develop written materials to inform contributors of the estimated value of the goods or services provided by the church or organization and to inform them that the amount of the contribution deductible for federal income tax purposes is limited to the excess of the amount of money or property contributed over the estimated value of the goods or services provided. These written statements must be provided to all donors contributing \$75 or more at the time of solicitation or upon receipt of the actual contribution.

When the quid pro quo contribution is \$250 or more, the acknowledgment provisions of the tax act also apply. Therefore, records must be kept of all contributions of \$250 or more. The recommended format for acknowledging quid pro quo contributions of \$250 or more is shown

as Appendix G. This format satisfies both the acknowledgment and disclosure requirements, as outlined in the preceding paragraph, provided the form is given to the contributor at the time of receiving the quid pro quo contribution.

105.7 Substantiation-Unreimbursed Out-of-Pocket Expenses

For an individual to claim a deduction for unreimbursed out-of-pocket expenses incident to the rendition of services for a charitable organization, the donor must maintain adequate records to substantiate the amount of the expenditures. Adequate records include receipts for the out-of-pocket expenses. Only the amount of unreimbursed out-of-pocket expenses can be deducted for tax purposes. The value of the donor's time to provide the service, even if the donor is in the business of providing the service at a cost to the public, is never deductible.

105.8 Acknowledgments-Auctions

Quid pro quo disclosure is required if an auction item is sold for more than \$75.00 and the selling price is greater than its fair market value. When one-of-a-kind items are sold, such as art works, hand-made quilts, sports memorabilia, etc., it may be difficult, if not impossible, to establish a fair market value. In the absence of any reliable fair market value, the IRS is likely to say that the purchase price is the fair market value. In this situation, no part of the purchase price at the auction would be considered a deductible charitable contribution.

In order to fulfill its responsibilities, the organization should either list the fair market value of the auction items in the auction booklet; or, if the fair market value cannot be determined, state that the item's fair market value is considered to be the price paid for the item at the auction. The auction booklet should also contain a disclosure statement indicating that the amount deductible for federal income tax purposes is limited to the excess of the amount paid over the fair market value of the item purchased.

If the amount exceeds \$250 and the selling price is greater than its fair market value, an acknowledgment letter should also be sent stating the amount contributed, the fair market value of the item purchased, and that the amount deductible for federal income tax purposes is limited to the excess of the amount contributed over the fair market value of the item purchased.

106 RESTRICTED DONATIONS

106.1 Restricted Donation Defined

Generally accepted accounting principles define a donor imposed restriction as a donor stipulation that is more specific than broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its' bylaws. Accordingly, parishes should credit account #8000.xx, Restricted Donations, for gifts received with a donor stipulation that is more specific than a purpose which is implicit to the nature of the parish. Examples of uses which are implicit to the nature of diocesan entities are: evangelization, missionary work, faith formation, education, charity, and facilities improvements. As such, these gifts would not be classified as restricted. The restriction can be temporary or permanent, but it must be in writing from the donor. Some examples of restricted donations are:

1. A contribution received from a donor who has sent a letter restricting its use to the purchase of a particular statue to be placed in the Church sanctuary in memory of a family member.
2. A gift received from a donor accompanied by a letter stipulating that the parish invest the gift amount and use only the investment income for Catholic school tuition for local underprivileged children.

If there is any question of how to classify a gift, the parish/school/agency should contact the Finance Office for assistance.

106.2 Accepting Restricted Donations

By accepting a restricted gift the parish/school/agency agrees to abide by the restriction placed on the gift by the donor under the penalty of forfeiture.

106.3 Record Keeping

Careful records should be kept for each individual restricted gift from the time of acceptance to the time the gift has been expended. A file should be set up in the parish/school/agency office for each individual gift, including the original donor letter and copies of all transaction activity concerning the gift. If the donor restrictions are received orally an activity file should still be kept, even though the gift is defined and recorded as an unrestricted donation. These records should be kept on file at least five years after the restriction has been met and the gift expended.

106.4 Reporting for Restricted Donations

Donations that are truly restricted should be recorded in ParishSOFT Accounting to an 8000.xx account. ParishSOFT Accounting generates a Statement of Dedicated Accounts showing all activity pertaining to each restricted donation over any given period. The report should be reviewed periodically by the pastor and the finance council to ensure that the restricted gifts are utilized as stipulated by the donor. Also, the parish/school/agency should report in writing to the donor once the restriction has been satisfied and the gift fully expended.

106.5 Alternate Use of Restricted Funds

In the event the parish/school/agency cannot or chooses not to use the restricted funds for the purpose for which the funds were given, the donor should be notified. The donor should have the option to grant permission for the funds to be used for an alternate purpose or to have the restricted gift returned. Restricted funds should never be used for a purpose other than that specified by the donor without the donor's permission. The permission should be in writing and should be kept on file with other documentation pertaining to the gift.

107 CONTRIBUTIONS TO CAPITAL CAMPAIGNS

The parish/school/agency should contact the Diocesan Office of Development prior to starting any capital campaign. The Office of Development will provide guidance on establishing a campaign committee. The campaign committee organizes and oversees the campaign activity. The campaign activity is recorded and maintained by the parish/school/agency business office. Contributions to capital campaigns may only be expended in accord with the purposes described in the campaign literature. If major changes are made to the capital project, donors should be notified. At the end of the campaign, if it is determined that the campaign generated more revenue than was needed for the capital project, donors should be asked if the funds can be used for an alternate project.

A master list should be generated of all pledge cards issued to potential donors. This master list should be used to document the status of the campaign. It should detail the cards issued, the cards returned, the cards outstanding, and total amount received in pledges at any given date. As the pledge cards are returned, they should be reviewed for completeness. The reviewer should check that the terms of the pledge are clear, and that the card bears the signature of the donor. If there is any uncertainty, the donor should be notified. The uncertainty should be clarified, and, if necessary, the donor should be informed that the card will be returned to him/her for updating and/or signature.

Pledge cards are to be retained for the duration of the campaign and pledge payment period. They should be filed alphabetically or numerically in a secure, locked receptacle. As the cards are received, pledge information should be entered into the parish census program. Care should be exercised to ensure that the correct terms are set up to facilitate accurate aging reporting and accurate mailings to donors. An adding machine tape should be tallied of pledge amounts from the pledge cards received. A report of current pledge additions to the campaign should be generated from the census program, and it should be compared to the adding machine tape. The adding machine tape should be stapled to the reports, and they should be filed together. The reports should be signed and dated by the persons compiling the information.

Billing/reminder notices should be sent to all donors (excluding those on auto-draft) each time a payment is due. The notice should denote the current amount due as well as any past due amounts. If the donor is delinquent two or more installments, the campaign committee should consider whether to contact the donor. They must obtain the pastor's approval prior to contacting the donor.

Donors should have the option to drop the envelope in the regular collection basket or return by mail. The envelopes should be accumulated and counted by the regular count team or by a special count team. These count teams should follow the same guidelines set forth for counting regular collections. Refer to Section 102 of this manual.

After the count team counts the pledge payments, the payments should be entered into the census program. A report should be generated to show the total of the payments received. An

adding machine tape should be tallied from the checks or envelopes and compared to the census report. The deposit ticket, the census report and the adding machine tape should agree. A detail listing of auto draft deposits should be generated. The census program should be updated for these deposits. The total auto draft deposits should be compared to the total receipts entered in the census program. The totals should agree. They should be signed by the persons who compiled the information, filed in a permanent binder, and kept for seven years.

The campaign committee should review aging reports monthly. Records of amounts pledged and amounts received should be maintained and reviewed. A campaign committee member should report the status of the campaign to the finance council regularly. The status of the campaign should be reported in the parish bulletin monthly. Item 2 of Appendix K, page 2 should be completed and included with the semi-annual reports to the Diocese Finance Office.

The committee should determine the appropriate time to approach new parishioners to make a pledge. They should review records from the original campaign drive to determine if it is appropriate to approach parishioners who did not make a pledge initially. The committee should consult with the pastor before any communication with parishioners.

108 CONTRIBUTIONS FOR FOREIGN CHARITIES

Donations that are solicited for the specific benefit of a selected foreign organization are not tax deductible to the donor. Only contributions to qualified organizations are tax deductible. To be a qualified organization, the organization must be organized or created in or under the laws of the United States or any possession of the United States. To qualify as tax deductible, donations must be made to a qualified organization, and the qualified organization must have discretion over how and to whom the funds are to be distributed. Approving and monitoring when and how the funds are spent by the foreign organization demonstrates some discretion over the collected funds. In order to achieve full discretion, the parish/school/agency should have the ability to identify an alternative recipient organization. Therefore, if the funds are to be deemed as tax deductible, communications to parishioners should clearly state that the parish periodically evaluates the recipient organization's programs and has the right to determine an alternative recipient of the donated funds.

109 BENEVOLENCE GIFTS

Benevolence gifts are gifts given to needy families and individuals to help them meet basic needs. Benevolence gifts given directly to an individual or family from the donor are not tax deductible to the donor. To qualify as a charitable contribution for the donor, the gift must be made to a qualified organization (parish or school), and the pastor must have total authority and discretion over the use of the funds. In the event that a pastor makes a pulpit appeal for funds, the funds should be donated to the "Benevolence Fund". Even though specific events trigger such appeals, the pastor retains authority over the use of the donated funds. If the donations received from the pulpit appeal are earmarked by the donor for a named individual or family, the donation is not tax deductible. Benevolence gifts are not taxable to the recipient.

110 SCRIP PROGRAMS

110.1 Set-up and Approval

- A. Implementation of a Scrip Program must be approved by the pastor and the parish finance council.
- B. Oversight responsibility for the operation of the Scrip Program is to be assigned to either a specific “Scrip Oversight Committee” or the parish Finance Council.
- C. A statement releasing the parish and the diocese from any responsibilities associated with the risks inherent in a scrip program is to be included on Customer Sales Order forms and all other written materials promoting the scrip program, including bulletin announcements. Contact the diocesan Finance Department for said statement.
- D. A Scrip Program Coordinator is to be appointed with the following responsibilities:
 - Recruiting Scrip Sellers
 - Assigning responsibilities and overseeing Scrip Sellers.
 - Ordering scrip
 - Accounting for scrip inventory, processing scrip received and scrip sales. Updating the Scrip Inventory Listing.
 - Coordinating the monthly scrip inventory count.
 - Advertising and marketing.

The Scrip Program Coordinator is accountable to the pastor, parish Finance Council or Scrip Oversight Committee.

The Scrip Program Coordinator should never sell scrip or have access to cash that hasn't been recorded on a Log of Scrip Sales Activity by a Scrip Seller.

- E. Scrip Sellers are to be recruited with the following responsibilities:
 - Circulating and collecting Customer Order Forms and payments for pre-orders
 - Selling scrip that hasn't been pre-ordered by an individual; collect payments.
 - Completing Customer Sales Order forms and the Log of Scrip Sales Activity.
 - Returning excess scrip to Coordinator and cash/checks to parish/school office.

NOTE: All the functions/positions outlined above must be volunteer positions.

110.2 Methods to operate a Scrip Program:

Method#1:

- Volunteers from the parish/school circulate paper “Customer Sales Orders” to individuals interested in purchasing scrip.
- Individuals submit order form with payment for the amount ordered.
- The Scrip Coordinator places the order with the scrip provider and the parish/school office remits payment by check.
- Upon receipt of the funds, the order is processed by the scrip provider.
- The scrip is mailed to the parish/school for distribution to the individuals.

Method#2:

- The Scrip Coordinator pre-orders scrip and the parish/school remits payment by check.
- Upon receipt of the funds, the order is processed by the scrip provider.
- The scrip is mailed to the parish/school.
- Volunteers sell scrip to constituents.

Method#3

- Individuals place orders online via scrip provider’s website. The individual pays online or remits a check directly to the parish/school.
- Periodically the Scrip Coordinator goes online to review all the orders placed to identify which orders need to be paid by check. The Scrip Coordinator “releases” orders that have been paid.
- The parish/schools remits payment for those items not paid online by the individual by check.
- Upon receipt of the funds, the order is processed by the scrip provider.
- Funds paid by individuals online are remitted to the parish/school (minus shipping costs and minus a service charge).
- The scrip is mailed to the parish/school.

110.3 Procedures and Forms (applicable to all methods outlined above.)

a. Accounting

As a parish/school program, scrip activity is subject to the same accounting controls as are all parish and school activities. All activity from the program is to be recorded on the parish or school general ledger and coded appropriately. In ParishSOFT a “project” may be used to track the activity for reporting purposes.

To record payments to purchase scrip:

Dr: Acct #1150.xx – Inventory-Fund Raising *for the face value of scrip purchased*

Cr: Acct #1101.xx – Cash, Checking Account *for amount of check written*

Cr: Acct #4141.xx – Fundraising Activity Revenue *for the difference between the face value of scrip purchased and the amount of the check written*

To record cash received at time scrip is sold/ordered:

Dr: Acct #1101.xx – Cash, Checking Account *for the amount of cash received*

Cr: Acct #1150.xx – Inventory-Fund Raising *for the face value of scrips sold/ordered*

When scrip orders are prepaid by the participant, the above entries will result in a credit to the inventory account until such time as the parish/school issues a check to purchase the scrip. This is acceptable as there should be a very short interval between receipt of a participant's deposit and ordering of the scrip by the parish/school.

b General Recordkeeping and Inventory

Scrip is the equivalent of cash to the vendor who issued it. As such, scrip is to be safeguarded just like cash. In order to safeguard scrip, it must be stored in a non-portable, fireproof and locked safe. An inventory of scrip on hand is to be maintained. The face value of each card and the number of each card is to be recorded on the "Scrip Inventory Listing" (attachment A) upon receipt. As scrip is delivered to a customer, it should be recorded as such on the Scrip Inventory Listing, so that there is always a current inventory of scrip on hand. A count of the scrip on hand should be done on a monthly basis to verify the inventory listing. The count is to be done by at least **three** unrelated individuals. They are to complete the "Scrip Inventory Count Sheet" (attachment B), sign and date the count sheet, and attach an adding machine tape to the count sheet. The results of the inventory count should be compared to the total on the Scrip Inventory Listing and any discrepancy investigated. The total per the Scrip Inventory Listing should always agree to the balance in the general ledger account, taking into consideration any scrip in transit (scrip for which a check has been issued, but which has not yet been received at the parish/school).

b. Selling Scrip

There should always be at least **three** unrelated persons available to sell the scrip. When scrip is removed from inventory and given to a Scrip Seller, a new "Log of Scrip Sales Activity" (attachment C) should be started. All the scrip given to the Scrip Seller should be listed on the Log of Scrip Sales Activity. As sales of scrip are made, the Scrip Seller is to complete a "Customer Sales Order" (attachment D) for each customer. When the scrip is delivered to the customer (which may be at the time the sales order is placed), the Scrip Seller is to have the customer sign and date the Customer Sales Order on the line: *Scrip Received*.

c. Balancing Out after Sales Session

After each sales session, the *Total Purchase* lines of all the Customer Sales Orders are to be totaled using an adding machine tape. All the Customer Sales Order forms are to be stapled and the adding machine tape stapled on top. The scrip sold should be entered on the Log of Scrip Sales Activity. The total amount sold and total number of cards sold and remaining should be entered on the log. The total value of cards sold should agree to the total of the adding machine tape stapled to the Customer Sales Orders. The Scrip Seller is to balance the cash and checks on hand with the total amount sold per the Log of Scrip Sales Activity and balance the number of cards remaining with the total number of cards shown as remaining on the Log of Scrip Sales Activity. After both sellers verify the amount of scrip sold and the remaining cards on hand, they should sign and date the log. The scrip and cash/checks should be immediately returned to the Scrip Program Coordinator or the parish/school office and secured in a non-portable, fireproof safe. The Scrip Program Coordinator or the parish/school office personnel should verify the cash/checks and number of cards returned. They should sign and date the log where indicated.

The Scrip Program Coordinator is to record the sales from the Log of Scrip Sales Activity to the Scrip Inventory Listing, thus updating the balance of scrip on hand.

While the scrip program is to be operated by volunteers, the parish bookkeeper may be responsible for recording the activity in the parish/school general ledger, making the bank deposit, and preparing the check to the scrip provider. Volunteers should be recruited for all other functions.

111 RAFFLES

Raffles have become an increasingly popular fundraising vehicle for parishes, schools and agencies of the Diocese. Payments made for the purchase of raffle tickets do not constitute a charitable contribution, are not tax deductible and, should not be acknowledged. A parish/school/agency can hold up to four raffles per year. In addition, a mission or an auxiliary organization of the parish or school may hold up to four raffles per year. The total fair market value of all prizes offered, either in cash or in merchandise that is not redeemable for cash, may not exceed \$125,000 in any calendar year. Real property may be offered as a prize. The maximum appraised value of real property that may be offered for any one raffle is \$500,000. The total appraised value of all real estate prizes offered by any nonprofit organization or association may not exceed \$500,000 in any calendar year.

The prizes awarded represent taxable income to the winners, thus all entities must meet certain requirements set forth by the Internal Revenue Service, as follows:

- Prior to distributing the prize you should request and receive the winner's name, current address, and taxpayer identification number.
- Withholding – This section applies only if the winnings less the amount wagered exceeds \$5,000:
 - If the winnings less the amount wagered exceed \$5,000 you should withhold 24% of the prize as federal income tax. If a noncash prize is awarded, a car for example, you must collect 24% of the fair market value of the car on the date won, prior to delivering the prize.
 - The taxes are to be remitted to the United States Treasury using EFTPS (electronic federal tax payment system). IOI PrimePay will facilitate the transfer on behalf of the parish.
 - At the end of the next calendar quarter, report the prize amount and the amount withheld on Federal Form 945. IOI PrimePay will complete the necessary filings.
- Year-End Reporting
 - Year-end reporting is required if:
 - The amount won is at least \$600 but not more than \$5,000; and is at least 300 times the amount of the wager; OR
 - the amount won exceeds \$5,000.
 - The winnings are reportable on Form W-2G. It should be mailed to the winner by January 31 of the following year. IOI PrimePay can complete the filings on behalf of the parish.

Please note that the parish/school/agency will have to notify IOI PrimePay to initiate the transfer and the filings.

If the winner refuses to provide a taxpayer identification number, backup withholding is required at the rate of 24% of the cash or fair market value of the prize, if the amount won is at least \$600 but not more than \$5,000 and is at least 300 times the amount of the wager, OR exceeds \$5,000.

There is no requirement for North Carolina withholding. Form W-2G does not need to be remitted to the state.

Noncash prizes: A noncash prize, such as a car, must be taken into account at its fair market value (the price that the car would be sold to the general public, not the price the charitable organization paid). If the FMV exceeds \$5,000, after deducting the price of the wager, the winnings are subject to regular gambling withholding. The tax can be computed and withheld under either of the following two methods:

1. The winner pays the withholding tax to the Charity who remits it to the IRS. In this case, the withholding is 24% of the FMV of the noncash payment minus the amount of the wager.
2. The Charity pays the withholding tax. In this case, the withholding is 31.58% of the FMV of the noncash payment minus the amount of the wager.

Door prizes are considered to be raffles, subject to the limit of four per organization per year.

Please note that if the winner refuses to provide a taxpayer identification number, backup withholding is required at the rate of 24% of the cash or fair market value of the prize, if the amount won is at least \$600 but not more than \$5,000; and is at least 300 times the amount of the wager; OR exceeds \$5,000.

Foreign Persons: Payments of winnings to a nonresident alien individual are not subject to reporting or withholding on Form W-2G. They are subject to 30% withholding under sections 1441(a) and 1442(a) of the Internal Revenue Code and are reportable on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding.

Please note that raffles cannot be held in conjunction with bingo games, and alcoholic beverages cannot be consumed in the same room that the raffle is being conducted.

Wine Pulls: A wine Pull is an event where bottles of wine are purchased or donated and wrapped so the label is covered. The wrapped bottles of wine are numbered. Numbered tickets are sold. Each person who buys a Wine Pull ticket selects the bottle of wine with a number corresponding to the number of their ticket. The person wins that bottle of wine.

This constitutes the sale of wine and, as such, a Special One-Time ABC Permit is required for these events. Procedures outlined in Section 306.1 of the Risk Management and Insurance Manual are to be followed.

112 BINGO

To conduct bingo games as fundraisers or when proceeds are generated, the parish/school/agency must apply for a license. The application for the license can be made to the Department of Public Safety. The license is renewable annually. A “Limited Occasion Permit” may be applied for if the parish/school/agency wishes to conduct only an annual or semiannual bingo game. If there is no charge for playing the bingo game (this means no charge for the bingo card and/or no admission charge to the event) and the prizes are of a nominal value, no license is required.

If a license is required, the following guidelines apply:

The number of sessions is limited to two per week. No two sessions are to be held within a 48 hour period. The maximum prize that can be offered is \$500 in cash and/or merchandise. The maximum aggregate amount of prizes is \$1,500. However, if the organization holds only one session per week, the maximum aggregate amount of prizes can be \$2,500.

A separate checking account must be established to hold the funds received in connection with bingo games. An annual audit of the account must be prepared and filed with the North Carolina Department of Crime Control and Public Safety, Alcohol Law Enforcement, Bingo Section.

Year-End Reporting

- Year-end reporting is required if the amount won is at least \$1,200
- The winnings are reportable on Form W-2G. It should be mailed to the winner by January 31 of the following year.
- The appropriate copy of Form W-2G should be mailed to IRS along with Form 1096 on or before February 28th of the following year.

Regular gambling withholding does not apply to winnings from bingo. However, if the winner refuses to provide a taxpayer identification number, backup withholding is required at the rate of 24% of the cash or fair market value of the prize, if the amount won is at \$1,200 or more. Please refer to section 111 Raffles to see requirements for reporting winnings to non-resident aliens.

Please note that raffles cannot be held in conjunction with bingo games, and alcoholic beverages cannot be consumed in the same room that the bingo is being conducted.

113 GAME NIGHTS

Effective June 1, 2019, Governor Roy Cooper signed into law a bill that permits non-profits to hold occasional game nights. Until now, these game nights were illegal in North Carolina. The non-profit organization holding the event (sponsor) must obtain a permit to conduct the games. A permit must be obtained for each event. The sponsor must also hold a permit to serve alcohol, even if the event is being held at an outside venue. Please allow at least 30 days to obtain these permits. Please contact the Diocesan Attorney to assist in this process.

Authorized games are roulette, blackjack, poker, craps, simulated horse race, and merchandise wheel of fortune. Games cannot be played for cash prizes, including gift cards issued by financial institutions that are redeemable at multiple unaffiliated sellers of merchandise or services. Prizes are to be awarded only through a raffle. Participants may exchange chips, markers, or tokens for raffle tickets.

Each organization is limited to four game nights per year and one event per quarter. The event cannot exceed a period of five hours.

The law applies only to the area east of Interstate 26, in compliance with casino exclusivity agreements for the Eastern Band of Cherokee Indians.

114 CEMETERIES

114.1 General

Each parish with a cemetery must establish a Cemetery Advisory Board which is advisory to the pastor on issues pertaining to the policies, finances and proper care and maintenance of the parish cemetery. The Board is to consist of at least three members with the appropriate knowledge to advise the pastor in such matters, and shall meet no less than quarterly. Minutes of all meetings are to be recorded and kept on file in the parish office.

The parish is to establish an endowment with the diocesan Foundation for perpetual care to provide for the future care of the cemetery. This is to be funded by designating a percentage of all sales for this purpose. The percentage of sales designated for future care is to be no less than 15%. In addition, donors may contribute to the perpetual care fund, and the parish may designate accumulated surplus for this purpose. The pastor, after receiving the advice of the Cemetery Advisory Board, is to determine a target amount that is to represent the “corpus” of the perpetual care fund, which is not to be spent. Interest income earned on the corpus is available for care and maintenance expenses. The corpus amount is to be determined by projecting future care and maintenance expenses and interest income on the invested funds. A plan is to be developed to provide for both short-term care expenses as well as achieving the corpus amount.

114.2 Checking, Savings and Endowment Accounts

Separate bank/investment accounts are to be established as follows:

- checking account for cemetery operations. The account is to be established following the guidelines in section 201.1 – Checking Accounts. The name on the account is to be the parish name – Cemetery Account. The account is to be used to pay all the expenses associated with the cemetery.
- endowment account for perpetual care funds. The account is to be established with the Foundation of the Roman Catholic Diocese of Charlotte, Inc. The account(s) shall be the depository for the percentage of each sale that is designated for perpetual care. When funds are needed to pay for care and maintenance, the parish may request a transfer of funds that are available for distribution from the endowment to the cemetery checking account, from which expenses are to be paid.
- savings and/or investment account may be opened to hold funds needed to cover short-term expenses of the cemetery. This account can be used to hold the proceeds from pre-need sales, exclusive of the portion designated for the perpetual care fund.

114.3 Accounting for Sales of Cemetery Plots

Parish cemeteries are to be treated as a separate cost center within the parish structure. All cemetery activity is to be recorded in the parish general ledger.

- Funds received from sales occurring at the time of burial are to be recorded as revenue (Cemetery Fee Income, and Cemetery Perpetual Care Income for the portion designated for perpetual care.)
- Funds received as a result of pre-need sales, including the portion designated for perpetual care are to be accounted for as unearned revenue (a liability) in the general ledger. At the time services are rendered, the amount is to be reclassified from unearned revenue to revenue (Cemetery Fee Income/Cemetery Perpetual Care Income).

The parish is to maintain a detailed listing (subsidiary schedule), identifying all individuals/families who have purchased a cemetery plot on a pre-paid basis and the corresponding amounts paid, separately recording the portion designated for the perpetual care fund. The balance in the unearned revenue accounts on the Statement of Financial Position are to be reconciled to the subsidiary ledger of pre-need sales on a monthly basis. Variances should be investigated and reconciled.

Upon payment from an individual/family (including pre-need sales), the portion designated for the perpetual care fund is to be deposited as follows: deposits representing payments to fund the perpetual care corpus amount are to be deposited to the endowment account with the diocesan foundation; deposits representing payments for earned revenue and pre-need sales are to be deposited to the checking account or diocesan savings account.

114.4 Tax Status

Services provided in conjunction with a cemetery represent activities related to the mission of the local parish and the Catholic Diocese of Charlotte. As such, all activities pertaining to a cemetery enjoy the same status as other parish activities with regard to the Internal Revenue Code and the North Carolina Department of Revenue.

Activities conducted by the parish are exempt from income tax unless the income is generated through a trade or business which is regularly carried on, and the activity is not “substantially related” to the parish’s tax-exempt purpose. Cemetery services are to be limited to the Catholic community (and their family members). As such, these activities are “substantially related” to the parish’s tax-exempt purpose and, therefore, are exempt from income tax. However, payments for these services are not tax-deductible by the payer. Such payments do not represent contributions and, therefore, should not be acknowledged as a contribution by the parish.

114.5 NC Sales Taxes

North Carolina sales tax paid on purchases of tangible personal property for a cemetery is eligible for refund under the same rules that apply for all parish purchases of tangible personal property. Fees charged for services rendered in connection with funerals are exempt from sales and use taxes. The sales of tangible personal property in connection with funerals are subject to the general State rate and applicable local rate of tax. State law requires that charges for taxable personal property be separately stated from charges for services rendered, thus they must be listed and sold separately. A sale occurs when possession of tangible personal property passes between buyer and seller; in this case, at the time of burial. Thus, sales taxes need to be added to the sales price of tangible personal property, collected and remitted to the state of NC at the time of burial.

115 COLUMBARIUMS

115.1 Federal Tax Status

Services provided in conjunction with a Columbarium represent activities related to the mission of the local parish and the Catholic Diocese of Charlotte. As such, all activities pertaining to a Columbarium enjoy the same status as other parish activities with regard to the Internal Revenue Code and the North Carolina Department of Revenue.

Activities conducted by the parish are exempt from income tax unless the income is generated through a trade or business which is regularly carried on, and the activity is not “substantially related” to the parish’s tax-exempt purpose. Sales of Columbarium services are to be limited to the Catholic community (and their family members). As such, these activities are “substantially related” to the parish’s tax-exempt purpose and, therefore, are exempt from income tax. However, payments for these services are not tax-deductible by the payer. Such payments do not represent contributions and, therefore, should not be acknowledged as a contribution by the parish.

115.2 Sales Tax

North Carolina sales tax paid on purchases of tangible personal property for a Columbarium is eligible for refund under the same rules that apply for all parish purchases of tangible personal property. Fees charged for services rendered in connection with funerals are exempt from sales and use taxes, including the sales of columbarium niches. The sales of tangible personal property in connection with funerals, (including urns, plaques, etc.) are subject to the general State rate and applicable local rate of tax. State law requires that charges for taxable personal property be separately stated from charges for services rendered, thus they must be listed and sold separately. A sale occurs when possession of tangible personal property passes between buyer and seller; in this case, when urns, etc. are actually interred. Thus, sales taxes need to be added to the sales price of tangible personal property, collected and remitted to the state of NC at the time of interment.

115.3 Accounting Issues

Funds received as a result of pre-selling Columbarium services should be accounted for as unearned income and recorded as a liability in the general ledger. At the time the services are rendered, the amount paid should be reclassified from unearned income to revenue (fees for services rendered). The balance in the unearned income account should always equal the total of all funds received for services not yet rendered, less interest income earned. The parish should maintain a supporting ledger listing all pre-sales and balance the total of the supporting ledger to the unearned income account monthly.

116 RENTAL OF PROPERTY

116.1 Rental of Space in Parish Facilities

The rental of space in parish/school/agency facilities does not constitute unrelated business income if the space rented is used for religious activities that are substantially related to, and consistent with, the exempt purpose of the church, i.e. rental of the Church to a non-parishioner for a wedding Mass. The activity for which the rented space is being used must be a significant religious activity, such as a Mass, Communion Service, Prayer Service, or Religious Instruction program. Rental of a Church hall for wedding receptions, anniversary celebrations, birthday parties, etc. (whether parishioners or not), does not meet this criteria.

If the rental does not meet the above criteria, a detail review of the following conditions must be undertaken:

- No more than an incidental amount (less than 10%) of personal property (furniture, equipment, etc.) can be rented with the building rental.
- No services can be provided with the rental. This includes meals, food preparation, setting up the facility, clean-up, etc.
- The rental amount cannot be based on the lessee's profit or income from the rental activity.
- If there is outstanding debt on the building, no more than 15% of the building square footage can be rented.

If all of the above four conditions apply, rental of space in parish/school/agency facilities for non-religious activities does not constitute unrelated business income. Whether parish/school/agency property is rented, or provided without charge, the person or organization using the facility is required to purchase or provide evidence of insurance. For additional information about the rental of facilities and insurance requirements, please refer to the *Diocese of Charlotte Safety and Loss Prevention Manual*, Section V, pages 5-1 to 5-12.

116.2 Rental of Parking Lots

If an exempt organization rents its parking lot to a third party, which is responsible for all aspects of its operation, the income is not considered unrelated business income. If, on the other hand, a church rents certain spaces in its parking lot during the week for use by nearby business people, these rents will generally be considered unrelated business income. They do not qualify for the rental of real property exception because the church remains responsible for lot maintenance, snow removal, signs, barriers, security, line painting, etc.

117 GIFT STORES

Parishes may establish a gift store. The gift store is to sell only religious items, such as rosaries, prayer and religious books, and statues. The stores may not sell greeting cards or any merchandise that is not of a religious nature.

The gift store should have a register that generates a printed receipt. If that is not practical, a duplicate receipt book should be used to generate a written receipt to give to the customer with the duplicate receipt remaining in the receipt book. On a daily basis, all receipts should be counted and reconciled to the total generated from the register receipts or from the total daily receipts in the duplicate receipt book. A count sheet should be prepared. It should be signed by the persons counting the funds and preparing the revenue reconciliation. The funds should never be left in the store or taken home by an individual overnight. With the count sheet, they should be placed in a sealed [serially numbered tamper-evident bag](#) and taken to the parish office for deposit in the safe or bank.

Items sold at the gift stores are subject to North Carolina Sales Tax. The parish should calculate sales tax on all items sold. The amount of sales tax should be listed separately on the customers' receipts. The sales tax collected should be remitted to the state on a monthly basis if the monthly liability is consistently \$100 or more. It should be filed on a quarterly basis if the monthly liability is consistently less than \$100.

118 ELIBILITY REQUIREMENTS FOR REDUCED CATHOLIC SCHOOL TUITION

Catholic schools may charge a higher rate of tuition for non-participating Catholics and non-Catholics than they do for participating Catholics. Eligibility for the “participating” Catholic rate is determined by the student’s pastor/pastoral administrator. In determining eligibility, the student and/or the student’s family must:

- Be baptized as a Catholic,
- Be registered in the parish, and
- Attend Mass regularly.

Additionally, consideration may also be given to the family’s commitment of time and talent to the parish. Personal involvement in the parish is a responsibility and expectation of every parishioner who is able to do so, especially those parishioners who are parents of children attending Catholic schools. If individual parishes require that the parents of children attending Catholic schools participate in activities in addition to regular attendance at Mass, these expectations are to be clearly communicated by the pastor/pastoral administrator to the parents.

However, the amount of financial support provided to the parish is not to be considered in determining eligibility for the “participating” Catholic rate. There are significant tax implications when the level of parishioner contributions is linked to tuition reductions/benefits. As such, it is the policy of the Diocese of Charlotte that the amount of financial support provided the parish **not** be a factor in determining eligibility for the “participating” Catholic rate.

119 UNRELATED BUSINESS INCOME

Diocesan parishes, schools, and agencies are not to engage in activities that give rise to unrelated business income.

119.1. Definition

Unrelated business income (UBI) is defined as:

Income from an activity that is not substantially related to the exempt purpose of the organization and that:

- Constitutes a trade or business. “The term ‘trade or business’ includes any activity which is carried on for the production of income from the sale of goods or the performance of services. Use of the proceeds in the exempt purpose of the organization does not negate the fact that an activity is a trade or business.
- Is regularly carried on; such activities are carried on with frequency and continuity.

Such activities do not contribute importantly to the accomplishment of the organization’s exempt purpose (the purpose for which the organization was granted tax exemption). The fact that the activity generates operating capital which is then used by the exempt organization does not change the fact that the activity is unrelated.

119.2. Exceptions

There are a number of exclusions from the definition of UBI including:

- 1) Activities in which merchandise is sold, substantially all (in excess of 85%) of which had been donated to the organization.
 - 2) Activities in which substantially all (in excess of 85%) the work is performed without compensation, whether cash or in-kind.
 - 3) Activities related to the distribution of low cost articles incidental to soliciting charitable contributions. Low cost articles are defined as items with a cost of \$9.70 or less. Distribution of low-cost articles is considered incidental to a charitable contribution solicitation if all of the following criteria are met:
 - Distribution made without the consent of the recipient,
 - Recipient did not request the distribution,
 - Distribution is accompanied by a charitable solicitation request. A contribution is not required.
- Convenience Exception. This exception applies to any trade or business carried on primarily for the convenience of its members, students, patients, officers, or employees. Classic examples of this exception include the hospital pharmacy sales made to patients, the sale of books by a university book store to students, sales in hospital gift shops, and laundry and vending operations provided for

student use.

119.3. Fundraising Activities

Many fundraising events conducted on a sporadic or infrequent basis are not subject to the unrelated business income tax because of their lack of regularity. However, fundraising activities that are regularly carried on, and in which the work is performed by paid individuals, are generally subject to unrelated business income tax.

119.4. Scrip

Scrip is the sale of certificates that may be redeemed at various business establishments for goods or services. The types of scrip and the methods of buying and selling the scrip vary from organization to organization. Income from scrip is taxable to the organization as UBI unless the sale of scrip qualifies for the volunteer exception. Therefore, scrip must be sold by volunteers as opposed to paid parish staff.

Perhaps the most common mistake related to scrip sales made by organizations (especially church schools) is as follows:

The school has volunteers sell the scrip at specified times during the week (perhaps after Mass on Sunday and after school during the week). Then during other times, the scrip is for sale in the school office. The school administrative staff handles the sale. This could jeopardize the volunteer exception and result in taxability of the entire proceeds of the scrip sale.

119.5. Bingo

Bingo games are specifically excluded from the definition of unrelated business income if the following exist:

- The games are conducted for the public. Wagers are placed, winners determined, and prizes distributed in the presence of all persons wagering in that game;
- The games are normally not conducted on a commercial basis and do not compete with bingo games conducted by for-profit businesses in the same jurisdiction;
- The games do not violate state or local law. Most states have special laws that govern how bingo games may be carried on.

For purposes of the exclusion, bingo games are defined as a game of chance played with cards imprinted with five rows of five squares each. The bingo exception does not apply to scratch-off bingo cards or to other forms of “walk-away” games.

119.6. Raffles

Raffles or other games of chance do not constitute unrelated business income so long as they do not violate state law and are not regularly carried on.

119.7. Advertising

Advertising income in regularly published periodicals is generally construed to be unrelated business income unless the content of such advertising is substantially related to the exempt purpose of the publication in which it appears.

Churches that contract with a company to publish their Church bulletins in exchange for the publishing company's right to solicit paid advertisers should not be involved in the solicitation or approval of advertisers (other than general policies as to the suitability of ads for a Church bulletin). Any payments received by the Church for advertising from either advertisers or the company publishing the Church bulletin would be classified as unrelated business income.

119.8. Yearbook Advertising

Yearbook advertising generally will not give rise to unrelated business income because ads are solicited by students or other unpaid volunteers or because the activity is not regularly carried on.

119.9. Sponsorships

Qualified sponsorship payments are any payments from a trade or business to sponsor an event hosted by an exempt organization (homecoming, parish jubilee celebration, etc.). There can be no arrangement or expectation that the trade or business will receive any substantial return benefit. The exempt organization may recognize the trade or business during the event in exchange for the payment without triggering UBI. Donor recognition is not construed to be something of significant value. Donor recognition may include:

- List of sponsor's locations, telephone numbers and internet addresses,
- Logos and slogans that do not have any qualitative descriptions of products, services, etc.,
- Value neutral descriptions of the product line,
- Sponsor's trade names and product listings.

The regulations also indicate the display or distribution of the sponsor's product to the general public at an event is not considered an inducement to buy, sell, or use the product and will not affect the determination of the qualification of the sponsorship.

119.10. Dinners, Socials

Dinners and other similar functions sponsored by the Church on a regular basis are considered unrelated business income unless substantially all (at least 85%) of the labor is carried out by uncompensated volunteers, or the meal is merely incidental and provided in conjunction with a *primary* activity related to the exempt purpose of the church, such as prayer, bible study, Christian educational activities or other religious activities. The following factors contribute to the activity *not* being considered unrelated business income:

- Providing the meal at no charge for those unable to pay,
- Publicizing the primary purpose of the event (bible study, etc.) in all promotional materials,
- Maintaining copies of hand-outs, study guides, reflections and similar documentation relating to the primary purpose of the event.

119.11. Catering and To-Go Meals

Catering provided for non-parish functions, such as wedding receptions and other events that are not open to the entire parish community, constitute unrelated business income, unless the catering activity is carried out by substantially all (at least 85%) volunteer labor. Such sales of meals are considered for the convenience of the person(s) purchasing the meals and are not sufficiently connected to the exempt purpose of the church.

119.12. Rental of Space in Parish Facilities

The rental of space in parish facilities does not constitute unrelated business income if the space rented is used for religious activities that are substantially related to, and consistent with, the exempt purpose of the church, i.e. rental of the Church to a non-parishioner for a wedding Mass. The activity for which the rented space is being used must be a significant religious activity, such as a Mass, Communion Service, Prayer Service, or Religious Instruction program. Rental of a Church hall for wedding receptions, anniversary celebrations, birthday parties, etc. (whether parishioners or not), does not meet this criteria.

If the rental does not meet the above criteria, a detail review of the following conditions must be undertaken:

- No more than an incidental amount (less than 10%) of personal property (furniture, equipment, etc.) can be rented with the building rental.
- No services can be provided with the rental. This includes meals, food preparation, setting up the facility, clean-up, etc.
- The rental amount cannot be based on the lessee's profit or income from the rental activity.
- If there is outstanding debt on the building, no more than 15% of the building square footage can be rented.

If all of the above four conditions apply, rental of space in parish facilities for non-religious activities does not constitute unrelated business income.

119.13. Parking Lot Rentals

If an exempt organization rents its parking lot to a third party, which is responsible for all aspects of its operation, the income is not considered unrelated business income. If, on the other hand, a church rents certain spaces in its parking lot during the week for use by nearby business people, these rents will generally be considered unrelated business income. They do not qualify for the rental of real property exception because the church remains responsible for lot maintenance, snow removal, signs, barriers, security, line painting, etc.

119.14. Daycare/Preschool Programs

Daycare programs are not inherently charitable activities, as this is an activity commonly performed by commercial enterprises. However, daycare programs do not constitute unrelated business income if any one of the following four circumstances applies:

- The primary purpose of the program is to provide a religious educational environment with religious activities, such as learning prayers, religious formation suitable for young children, etc., in which all children are required to participate on a regular basis. The religious curriculum must be more than incidental and should be well documented (including the amount of time spent on religious activities) and included in all advertising and promotional materials;
- The program is limited to low-income individuals and is provided free or at substantially reduced prices;
- The program is a pre-school program operated as a qualified educational program in accordance with state regulations;
- The primary purpose of the program is to provide care for children to enable individuals to be gainfully employed, and the services provided by the organization are available to the general public. To meet this standard, both parents of at least 85% of the children must be working (parents who are full-time students satisfy the working requirement). Thus, the percentage of stay-at-home parents must be monitored. Also, enrollment may not be limited to parishioners or to employees of a particular employer.

EXPENDITURES AND RELATED ACTIVITIES

201 GENERAL PROCEDURES & CONTROLS

201.1 Checking Accounts

All disbursements, with the exception of petty cash, should be made by check. All parishes, schools and agencies are to maintain one checking account with Wells Fargo Bank. If there is no Wells Fargo Bank located within proximity of the church, an alternative commercial bank may be used.

The Diocese requires that only priests and Chancery officials be authorized signers. Therefore, all new accounts and changes as to authorized signers must be submitted to the Chancery office. Priests who are reassigned to parishes served by Wells Fargo will be sent blank signature cards from Wells Fargo's corporate office or the Diocesan Finance Office. The cards should be signed by the priest, and then forwarded to the Diocesan Finance Office for the Bishop's signature. Priests who are reassigned to parishes not served by Wells Fargo should obtain new signature cards from the parish bank as soon as they arrive. The cards should be signed by the new priest, and then sent to the Diocesan Finance Office for the signature of Chancery officials. No one other than authorized signers may sign checks. Facsimile signatures are never to be used. Blank checks are never to be signed. Checks are not to be made payable to cash. Checks are to be pre-numbered and used consecutively. They are to be stored in a locked receptacle.

Replacement checks should not be issued unless someone independent of check processing function has verified that a stop payment was placed on the original check, and that it has been voided in the accounts payable system.

Diocesan entities should never provide checking account numbers to any unknown individual or organization. It is also recommended that diocesan entities utilize 'Positive Pay', a service available from the bank. This service provides assurance that no unauthorized transactions are processed against the account.

201.2 Purchasing

The pastor is responsible for all commitments made on behalf of the parish. He may delegate purchasing responsibilities as he deems appropriate per diocesan guidelines.

Purchases should be made within the constraints of the budget. Since the budget represents a guideline for spending, purchases in excess of the budgeted amount require specific authorization from the pastor or department head. Additionally, purchases should be made proportionately throughout the year, based upon cash flow.

All major expenditures incurred by parishes, schools, and agencies of the Diocese, other than employee salaries, are to be approved, in advance, by the Chancellor of the Diocese. See section 202 for procedures regarding project approvals and bid procedures.

201.3 Receiving

Upon acceptance of a delivery of merchandise, the person receiving the goods should verify the delivery, document the receipt thereof and initial the documentation. The receiving document should be forwarded to the Church office promptly.

201.4 Processing Invoices

Upon receipt of an invoice, verify that the material was received or service provided (by reference to an initialed receiving document, if available). Payments should be made from original invoices. Invoice copies or faxes should not be substituted for original invoices. If there is not a separate receiving document, indicate in writing on the invoice whether the material was received or service provided and initial and date.

Schedule the invoice for payment appropriately and file accordingly.

In the absence of a vendor invoice, a written check request is required before a check can be issued.

Vendor's month-end statements should be reconciled to vendor invoices. Disbursements should not be made from statements without supporting documentation.

201.5 Check Preparation

Periodically, i.e., weekly, bi-weekly, etc., checks should be prepared on the basis of an original vendor invoice (not a photocopy) or other appropriate documentation which has been approved for payment, initialed and dated. The check and/or remittance advice should include the vendor's invoice number(s) or equivalent.

Cash is never to be issued to an individual or organization (other than petty cash). Monetary gifts should be issued in the form of a check or gift card. Stipends should always be in the form of check.

All checks written (and voided checks) should be processed through ParishSOFT Accounting. In the event a manual check has to be written, the check should be entered in the system as soon as possible. The following information is to be recorded:

- date,
- payee,
- amount, and
- account number/description.

A log of check usage should be maintained. The log should contain the following information:

- Date of activity
- Check numbers of checks removed from stock
- Check numbers of checks returned to stock (if any)
- Check number of checks used and/or checks voided

- Signature / initials of person removing checks
- Signature / initials of person approving issue of checks (when appropriate).

The processed checks, the supporting documentation, the check register, and the check log should be forwarded to an authorized person for signature. The person signing the checks should review the support documentation for completeness and accuracy. He/she should compare the beginning number of each check run with the last number from the previous check run for sequence of numbers. They should compare the check numbers on the log with the actual numbers of checks being used. Refer to Appendix P for a sample check log.

Once paid, the invoice or check request is to be marked “paid”, and the check stub stapled to the invoice. Paid invoices should be filed in a systematic manner.

Void checks should be defaced and filed numerically.

201.6 Positive Pay

Positive Pay is a powerful tool designed to mitigate the risk of fraudulent checks being cashed. Any check presented for payment with a payee and/or amount that doesn’t match the information on the file transmitted to the bank will be flagged. As such, all parishes and schools should subscribe to Positive Pay. Neither Wells Fargo, the Diocese of Charlotte, nor Catholic Mutual will provide any reimbursement for fraudulent checks after December 31, 2016 if Positive Pay was not utilized. Any fraudulent checks that are cashed when Positive Pay was utilized will be reimbursed by Wells Fargo.

Upon implementation of Positive Pay, Wells Fargo will no longer send check images with the monthly bank statement. As such, parishes will no longer receive check images. Therefore, a review of check images by the pastor cannot be done. The pastor, or a designee that is not involved in processing checks or reconciling the bank statement, should continue to receive the unopened monthly bank statement, review the bank statement for unusual items and observe the check numbers listed. He should compare the check numbers to those listed on the check usage log (which he previously signed when checks were presented for his signature) to ensure that no check numbers were presented for payment that were not listed on the check usage log.

All checks should be mailed by someone other than the person designated to transmit the check file to Wells Fargo. Upon signing the checks, the pastor should deliver them directly to the person with responsibility for mailing the checks. That individual should obtain the envelopes and remittance advices from the person preparing the checks, stuff the checks and remittances and seal and mail the envelope.

A transmittal report should be generated from the Wells Fargo CEO portal. It should be kept on file for review. In the event that a transmittal report contains an error and the payment presented for settlement is rejected by the bank, the bank will notify the parish. The parish has the option to authorize or deny the payment. If the parish authorizes the payment, an exception report must be generated. The exception report should be kept on file.

A member of the parish finance council should compare the check numbers, payees and amounts

per the transmission file directly from the Wells Fargo CEO portal to the check register report directly from ParishSOFT for several check runs each quarter. The comparison should be documented by a notation on the check register report “Compared to Wells Fargo Positive Pay– No exceptions”. The register should be signed and dated by the person performing the comparison.

201.7 Petty Cash Disbursements

All disbursements from petty cash should be documented by either a petty cash voucher or an invoice. Vouchers should indicate the date, account number or purpose, to who paid, and the amount. The person receiving the cash should always sign and date the petty cash receipt or the invoice to acknowledge his/her receipt of the cash. Vouchers and/or paid invoices should be kept with the petty cash until the account is reconciled. After reconciliation, they are to be filed. The account shall be reconciled when replenished (by someone other than the person authorized to disburse payments, when possible). A listing of totals by account number should be entered on a petty cash reimbursement voucher along with the total amount of reimbursement. Checks to replenish the petty cash fund should be made payable to the person responsible for cashing the check at the bank: “Name of Individual— Petty Cash”.

201.8 Expense(Out-Of-Pocket)Reimbursements/Travel and Meal Expenses

To qualify for reimbursement, travel and meal expenses should be approved in advance by the individual’s supervisor or the pastor and must be necessary and reasonable. Personal expenses while traveling (in-room movies, side trips, and other personal travel, etc.) are not chargeable to the parish, school, or agency of the Diocese. If the employee’s spouse accompanies the individual, personal costs (including the spouse’s meals, airfare, incremental room costs, etc.) are not chargeable to the parish, school, or agency of the Diocese.

An approved expense report is to be submitted for reimbursement of out-of-pocket expenses, and for documentation of all travel and meal expenses whether paid by the employee or by parish/school/agency check or credit card. The following information pertaining to each expense item is to be provided on the expense report:

- date of the expenditure,
- amount,
- purpose of the expenditure,
- the provider/vendor, i.e., name of hotel, airline, restaurant, etc., and
- names of persons other than yourself for whom you paid, and their relationship/role to the parish/school/agency,
- receipts to substantiate expenses should be submitted

Mileage reimbursement for the use of employees’ personal vehicles is to be made at the diocesan rate. Mileage reimbursement at the prescribed rate represents total remuneration available for all expenses associated with the business use of one’s personal vehicle, including gasoline, insurance, routine service and repairs, etc. The cost associated with parking tickets and

traffic citations is not reimbursable.

Commuting mileage by employees (mileage from home to assigned work location) is not reimbursable. When traveling from home directly to a location other than the assigned work location, the reimbursable mileage is determined as follows:

- Mileage from home to destination, minus
- Mileage from home to assigned work location.

In situations which the employee has already worked a standard work week, all mileage incurred on any additional days worked in that work week is fully reimbursable.

The diocesan mileage rate for employees is based on the business standard mileage rate as prescribed by the Internal Revenue Service. However, the business mileage reimbursement rate is not to be used to reimburse volunteers.

Current law allows charities to reimburse volunteers, on a nontaxable basis, for actual allowable expenses incurred by the volunteer, or at the charitable mileage rate of 14 cents per mile. Allowable expenses include gas, oil, parking fees and tolls; but depreciation, maintenance, and insurance are not allowable expenses. When reimbursing the volunteer for actual allowable expenses for use of their automobile, it is necessary to obtain receipts to substantiate all expenses incurred.

Receipts to substantiate expenses should be submitted. All expense reports are to be approved in writing by the individual's supervisor or the pastor; no one may approve his/her own expense report. A sample expense report is included as Appendix I.

Expense reimbursements are to be handled in conjunction with accounts payable processing. If the following three rules are met, the reimbursement is not considered wages and, thus, is not subject to withholding or payroll taxes:

- The individual must have paid or incurred deductible expenses while performing services on behalf of the church;
- The individual must submit a written accounting for these expenses (i.e., expense report); and
- The individual must return any excess reimbursement.

There are three main requirements for a priest's tax-free status of board:

- The meals must be consumed on the premises of the parish.
- The meals are for the convenience of the parish.
- The meals are required as part of the priest's working conditions.

As such, meals consumed in a restaurant do not meet the requirements for tax-free status of board. In order to be exempt from income tax, reimbursement for restaurant meals should be based on the elements of an accountable reimbursement program as described above.

202 PROJECT APPROVALS/BID PROCEDURES

All major expenditures incurred by parishes, schools, and agencies of the Diocese, other than employee salaries, are to be approved, in advance, by the Chancellor of the Diocese. This also applies to expenditures made by parish or school auxiliary organizations and associations.

1. Major expenditures are defined as follows:

- Non-recurring expenditures or expenditures that reoccur on an annual basis, where the payment exceeds
 - \$5,000 for entities with total revenues less than \$500,000;
 - \$10,000 for entities with total revenues above \$500,000.
- Multiple payments for a single project when the total of the project exceeds
 - \$5,000 for entities with total revenues less than \$500,000;
 - \$10,000 for entities with total revenues above \$500,000.
- Recurring expenditures (lease payments, etc) when the total commitment exceeds
 - \$25,000 for entities with total revenues less than \$500,000;
 - \$50,000 for entities with total revenues above \$500,000.

2. The process to obtain approval is as follows:

A written request is to be submitted to the Chancellor of the Diocese with the following information:

- Purpose and reason for expenditure
- Amount of expenditure
- Availability of funds needed for expenditure
- Signature of the pastor, agency director or superintendent of schools (for MACS and Bishop McGuinness Catholic High School).

Please allow ten days for the approval process.

The following guidelines are to be followed when hiring an outside vendor (contractor) to perform repairs, maintenance and improvements to diocesan owned properties:

All projects where the total expenditure is \$5,000 or more:

- Written bids from at least three vendors are to be obtained prior to selecting a vendor. The vendor is to be selected on the basis of price, reputation and commitment to finish the project within any time constraints. If the project is not awarded to the lowest bidder, justification of the vendor selected must be documented, signed by the pastor and retained on file.

All projects where the total expenditure is less than \$5,000:

- If the estimated project cost is less than \$5,000, the vendor may be selected without obtaining competitive bids. However, selection of the vendor for hire is to be based on prior competitive bids submitted to the parish (or other diocesan entity) and the quality of previous projects performed for the parish (or other diocesan entity). A written estimate of the project cost is to be obtained from the selected vendor prior to commencement of work.

203 CONSTRUCTION PROJECTS

The Diocese has established procedures for new construction and renovation projects, which addresses the necessary planning as well as the actual construction process. All parishes, schools and agencies wishing to construct a new building or renovate an existing facility must follow the diocesan procedures. These procedures may be obtained from the Diocesan Properties Office. A summary of these procedures follows:

1. The pastor is to contact the Chancellor in writing to request approval to proceed with a planning process and a master site plan.
2. Under the direction of the Diocesan Planning Office, parishes are to prepare/update a parish plan through the process of completing the diocesan parish profile, if the estimated cost of the project exceeds \$50,000.
3. The pastor is to contact the Office of Worship for review and approval of the plans relating to worship space.
4. Under the direction of the Diocesan Properties Office, the parish/school/agency is to prepare a financial plan, which includes a proposal for funding the project, a three-year historical cash flow statement, and a five-year cash flow projection.
5. The pastor is to contact the Chancellor to request a meeting with the Diocesan Building Committee at which time the parish/school/agency will present all the above information for their review and approval.
6. The pastor is to contact the Diocesan Development Office to plan and direct a capital campaign (if fund raising is required).
7. In order to request final approval from the Chancellor, the following financial requirements must be satisfied:
 - The capital campaign goal must be achieved,
 - 50% of the total project cost is to be on-hand in checking, savings and/or investment accounts, and
 - 80% of the total project cost is to be from a combination of cash and realizable pledges receivable.
8. After final approval is granted, the pastor may submit a contract for working drawings to the Chancellor who, in turn, will submit it to the Bishop for his signature.
9. The architect is required to supply the Diocese with a Certificate of Insurance indicating that the firm has liability insurance with errors and omissions provisions in place, for the total amount of the estimated cost of the project.
10. The pastor is to submit the working drawings to the Chancellor for review and approval.

11. After approval of the working drawings, the pastor may request bids of licensed general contractors or may request a proposal from a design build firm.
12. The architect is to review all the bids and prepare a written recommendation to the pastor and Chancellor.
13. The contract with the approved contractor or design build firm is to be submitted to the Chancellor for review by the Diocesan Attorney. Once approved, the Chancellor will submit the contract to the Bishop for signature.
14. The general contractor or design build firm is required to supply the Diocese with a Performance Bond and a Labor and Material Bond.
15. No changes may be made to the signed contract without a written change order. All change orders must be signed by the Vicar General. Under limited circumstances, the Pastor or Principal of a non-parish school is authorized to provide onsite approval of a change, prior to the change order being submitted to the Vicar General for signature. All of the following conditions must be met for such onsite approval:
 - 1 Approval of the change is time sensitive, such that it would delay the ongoing progress of the project, and result in a claim from the contractor for additional general conditions costs or time extensions beyond those required by the change itself.
 - 2 The amount of the change is less than 2% of the original contract amount or \$10,000, whichever is greater.
 - 3 The remaining balance of the Owner's Contingency Fund after the change remains greater than 25% of that which was included in the approved project budget.
 - 4 The change does not impact the "Sanctuary" or otherwise change items subject to review by the Office of Worship.
 - 5 The change has been approved by the Diocesan Properties Office.
16. The pastor is to make payments only on receipt of a Certificate of Payment form (AIA Document 6702) from the architect or design build firm. A copy of each Certificate of Payment is to be sent to the Diocesan Properties Office, along with copies of the architect's invoices as they are paid by the parish/school/agency.

Note: All contracts are to be in the Bishop's name and sent to the Chancellor for review and the Bishop's signature.

204 INDEBTEDNESS

The Bishop is the only person who may commit a parish/school/agency or the diocese to any debt. Therefore, all loans and mortgages must be negotiated by the Chancery and signed by the Bishop.

205 PROPERTY/LIABILITY INSURANCE

The Diocese has a protected self-insurance program which provides uniform property and blanket liability coverage under one plan for all parishes, schools, institutions and agencies, including parish organizations and parish-sponsored events. Detailed information, including claims procedures, can be found in *The Diocese of Charlotte Safety And Loss Prevention Manual*. Insurance billing is included in the consolidated assessment invoice mailed annually by the Diocesan Finance Office. Please note that property/liability claims should be referred to the Diocesan insurance broker. However, workmen's compensation claims should be referred to the Diocesan Human Resources department.

206 PROPERTY TAXES

Property tax must be paid on all real estate not being directly used for church or school purposes. Additionally, all real and personal property (i.e., automobiles) acquired during the year (having not previously been declared tax exempt) are subject to property tax due at the end of the calendar year in which purchased. Upon receipt of the tax bill, a copy is to be forwarded to the Diocesan Legal Office so that tax-exempt status (if eligible) can be obtained prior to the next annual filing date (January 1).

207 SALES TAXES

207.1 Sales Taxes in General

North Carolina requires that church organizations pay sales tax on all purchases, except on items purchased for resale (which are not excluded from the collection of sales tax when sold.) The Church is not exempt from paying sales tax due to its non-profit status and, as such, does not have a tax-exempt number

North Carolina Sales Tax is comprised of various elements: State tax, currently 4.75%, county tax currently 2% or 2.25% (depending on the county), and a transit tax of .5%. In addition to NC Sales Tax, jurisdictions may charge a local 1% tax on prepared foods and beverages. Currently, Mecklenburg County is the only county imposing the local tax. By statute, local taxes are not refundable.

Refunds of state and county sales taxes paid can be obtained by filing form E 585 with the N.C. Department of Revenue within three months after the six-month periods ending June 30 and December 31. This includes the refund of use taxes paid on purchases from vendors who do not charge N.C. sales tax. All invoices to support refund claims are to be on file in the entity's office, including those pertaining to auxiliary associations. The refund is not available for the taxes included on electric bills, phone bills, or for gasoline.

N.C. sales taxes paid for food and restaurant meals for employees are refundable only if the meal is paid by the parish/school/agency (either by entity check or entity credit card), and the purpose for having the meal furthers the entity's work as a non-profit religious organization. Thus, sales taxes on food and restaurant meals for employees are not refundable if the meal is paid by any individual (including the pastor) and then reimbursed by the entity to the individual.

N.C. sales taxes paid on overnight lodging are refundable to the parish/school/agency only if the room is reserved in the entity's name, and the room is paid for by the entity (either by entity check or entity credit card), and the purpose for incurring the expense furthers the entity's work as a non-profit religious organization. The sales tax is not refundable if the room is paid for by an individual using his/her cash, check, or credit card, then subsequently reimbursed by the entity. Local occupancy taxes on rooms are not subject to refund under state statute.

As of August 2013, N.C. sales and use tax liability indirectly incurred by a parish/school/agency through reimbursement to an authorized person for the purchase of tangible property for use in ministry of the organization is considered a direct purchase by the organization and is refundable. Please note, this applies only to the purchase of tangible property, such as office supplies. Reimbursements to individuals for employee food, meals, lodging, and other travel expenses do not qualify for reimbursement.

207.2 Collecting Sales Tax on Sales of Items

The general provisions of N.C. state law with regard to the collection and remittance of sales tax is as follows: Persons engaged in the sale of tangible personal property at retail are responsible for the following:

- to register with North Carolina Department of Revenue for a sales and use tax number for remitting the taxes;
- to add to the sales price the amount of sales tax;
- to collect the amount of the sales tax from the purchaser;
- to remit sales taxes applicable on all qualifying sales to the state of North Carolina; and
- to show the sales tax separately on the seller's sales records.

The term 'persons' includes churches and religious organizations. However, the law provides exceptions under certain circumstances. The exception that may apply to some sales of tangible personal property by churches and religious organizations of the Catholic Diocese of Charlotte is as follows:

Sales by a nonprofit civic, charitable, educational, scientific, literary or fraternal organization continuously chartered or incorporated within North Carolina for at least two years are exempt, when such sales are conducted only upon an annual basis for the purpose of raising funds for its activities, and when the proceeds thereof are actually used for such purposes; provided, however, that no such sale shall be exempt if not actually consummated within 60 days after the first solicitation of any sale made during said organization's annual sales period.

Therefore, sales tax need not be added to the sales price, collected and remitted to the State of N.C. on sales of tangible personal property by church organizations when all of the following apply:

- the sales are conducted on an annual basis, i.e., an annual bazaar, an annual auction, etc.;
- the purpose of such sales is to raise funds for the activities of the church and the proceeds are actually used for such purposes;
- the sale is consummated within 60 days after the first solicitation of any sale made during the organization's annual sales period. Any sale after the first 60 days would make all of the sale taxable.

Additionally, sales of food by a church or church-related organization are exempt from sales and use tax, if the net proceeds thereof are used in support of the primary activities of the organization.

Therefore, all sales of tangible personal property which do not meet the above criteria are subject to N.C. sales tax, including sales by auxiliary organizations. This includes the sales of books, pamphlets, recordings, uniforms, clothing, pens, pencils, paper, etc.

Instead of charging separately for books or other supplies in conjunction with a workshop or educational program, parishes and schools may incorporate the cost of books or other materials needed for the program into the tuition and/or fee charged for the program. Under these circumstances, there is no distinct sale of tangible personal property and, as such, no requirement to collect sales tax.

207.3 Admission Charges

Effective January 1, 2014 charges for admission to an entertainment activity are subject to sales tax at the regular rate. Those entertainment activities include:

- A live performance or other live event of any kind
- A motion picture or film
- A museum, a cultural site, a garden, a show or a guided tour at any of these events.

There are exemptions for the following entertainment activities:

- Events that are held at an elementary or secondary school and are sponsored by the school.
- A festival or other recreational activity that lasts no more than seven consecutive days, is sponsored by the non-profit entity, and the entire proceeds are used exclusively for the entity's nonprofit purpose. This exemption applies only to the first two activities sponsored by the entity in a calendar year.
- A youth athletic contest sponsored by the nonprofit entity. A youth athletic contest is one in which the athletes are under the age of 20.

As of May 29, 2014, the NCDR clarified that the receipts from the following are not admission charges, and therefore not subject to sales tax. However, where such items are included in a bundled transaction, sales tax applies to the sales price of the bundled transaction, unless the retailer can use a reasonable allocation method to determine the allocated price for each product in the bundle:

- The amount paid to participate in a sporting event. Examples include golf green fees, gym memberships.
- Tuition, registration fees, or charges to attend instructional seminars or conferences for educational purposes.

207.4 Use Taxes on Purchases from Vendors Who Do Not Charge Sales Tax

Purchases made from vendors who do not charge N.C. sales tax are subject to N.C. use tax. The entity must separately identify those purchases and compute the applicable taxes thereon. The entity must remit those taxes to the State on either a monthly or quarterly basis, depending on the total amount of sales and use tax liability. If the entity does not already have a sales tax remittance number, it must register for one with the N.C. Department of Revenue by completing Form NCBR. The form can be found at the NCDR web-site and can be remitted electronically.

These taxes are refundable to the entity every six months, along with other qualifying sales and use taxes paid by the entity, by filing N.C. Form E-585.

207.5 Sales Taxes Paid By Contractors Involved in Renovation or Building Projects

Purchases of building materials, supplies, fixtures and equipment by contractors under contract with a nonprofit entity that becomes a part of, or are annexed to, any building or structure that is owned or leased by the nonprofit entity, and which is used in carrying on the nonprofit activities of the nonprofit entity, are considered to be direct purchases and are, therefore, eligible for refund. To substantiate a refund claim, the parish/school/agency must obtain a notarized statement setting forth the cost of the property purchased from each vendor and the amount of state and local sales taxes paid thereon. The North Carolina refund request Form E-585S has separate lines for reporting these sales taxes.

Please note that plumbing, heating, air-conditioning and electrical contractors are prohibited from listing sales taxes separately on invoices to their customers. If they do list them separately, they are responsible for the payment of those taxes. However, North Carolina does allow these contractors to provide a certified statement (as explained above) to nonprofit organizations so that they may request a refund of those taxes.

208 CREDIT CARDS

Each parish/school/agency may establish a BB&T Corporate card account by requesting an application from the Diocesan Finance Office. The completed application form should be signed by the pastor and returned to the Diocesan Finance Office. The card is accepted everywhere VISA is accepted. No other bank cards are to be used. The card should be used only in those instances where it is not appropriate or convenient to issue a check for payment. The card should never be used for personal expenses (even if the parish/school/agency is to be reimbursed), for ATM transactions or cash advances, or for wire transfers. The standard credit limit on the account is \$2,500. The account balance must be paid in full monthly on or before the due date as shown on the statement. Revolving credit is not allowed. Entities should never provide card numbers to unknown individuals or organizations.

208.1 Purchasing

The pastor is responsible for all commitments made on behalf of the parish. He may delegate purchasing responsibilities as he deems appropriate per diocesan guidelines. Therefore, he should exercise good judgment and caution concerning who will carry and use parish credit cards. Receipts and supporting register tapes should be kept for all purchases and returned immediately to the parish/school/agency office. They should be kept on file until the monthly card statement is received. A monthly activity log should be maintained to record all purchases made with the card, including the person using the card, the item charged, the appropriate general ledger code, and the amount charged. The log should be reviewed by authorized card users to insure that impending purchases will not exceed the credit limit. A sample log is shown on Appendix O of this manual.

208.2 Processing the Card Statement

Actual monthly purchases and payments should be reconciled to the monthly statement as soon as it is received. Any discrepancy should be investigated and resolved immediately. All card receipts and corresponding register tapes should be attached to the statement. The total amount due on the statement must be paid in full monthly on or before the due date as shown on the statement. Upon payment of the credit card statement, the appropriate general ledger accounts (as shown on the log) should be charged.

208.3 Card Security

Credit cards should be kept under lock and key when not in use. The card numbers should be recorded and kept on file in the office. Emergency notification phone numbers to the bank should be listed with the credit card numbers.

209 PARISH AUXILIARY ASSOCIATIONS

209.1 Definition

These policies apply to all parish auxiliary associations. Parish auxiliary associations are those organizations sponsored by the parish that qualify as tax-exempt by virtue of the parish's tax-exempt status and/or use of the parish taxpayer identification number for purposes of establishing a bank account. Examples of these organizations are:

- The Mens Club
- The Ladies Club
- The Altar Society
- The St. Vincent de Paul Society

Certain associations are affiliated with other organizations and their tax status is determined by virtue of that relationship. These associations use their affiliated organization's taxpayer identification number when establishing bank accounts. Examples of these organizations include the Knights of Columbus and the Catholic Daughters. These organizations are not covered by this policy.

Each parish auxiliary association should have a clearly defined purpose that is consistent with the mission of the parish. All fundraising activities should be consistent with the principal purpose of the association.

209.2 Specific Internal Control Procedures

In addition to the following rules specific to these associations, they must adhere to all financial policies and civil regulations put forth in this manual.

Internal Control Procedures:

1. Each organization may have one checking account at a local bank approved by the pastor. If additional accounts are needed, approval is to be obtained from the Diocesan Finance Office. Auxiliary association bank accounts are to be opened in the name of the parish, with a second line containing the name of the auxiliary association. The address listed is to be the parish address.
2. Cash is never to be issued to an individual or organization (other than petty cash). Monetary gifts should be issued in the form of a check or gift card.
3. Authorized signatures are to be limited to two officers and the pastor. Only authorized signers may sign checks.
4. One signature is required on checks written for less than \$250.00. Two signatures are required on checks written for \$250.00 or more. The pastor must be one of the signatories on any check written for \$1,000.00 or more. All future orders for check stock must provide lines for two signatures and must be printed with the following above the signature lines: "Two signatures required for amounts \$250.00 and above."
5. Authorized signers may never sign a check payable to themselves or to a family member or related party.
6. Checks are not to be made payable to cash.

7. Facsimile signatures are never to be used.
8. Blank checks are never to be signed.
9. Bank statements are to contain facsimile copies of checks or the group is to use Positive Pay.
10. Debit cards are never to be activated/used.
11. Checks should be pre-numbered and used consecutively.
12. The stock of unused checks is to be stored in a locked receptacle and is to be regularly inventoried.
13. A log of check usage should be maintained. The log should contain the following information:
 - Date of activity
 - Check numbers of checks removed from stock
 - Check numbers of checks returned to stock (if any)
 - Check number of checks used and/or checks voided
 - Signature / initials of person removing checks
 - Signature / initials of person approving issue of checks (when appropriate).

The person signing the checks should compare the beginning number of each check run with the last number from the previous check run for sequence of numbers. They should compare the check numbers on the log with the actual numbers of checks being used. Refer to Appendix O for a sample check log.

14. Checks are only to be issued upon receipt of a properly approved original vendor invoice or a properly approved expense report or check request. The approving party for vendor invoices, expense reports and check requests must be an authorized individual other than the check signer.
15. Payments to individuals and unincorporated entities for services rendered cannot be issued from the account.
16. Replacement checks are not to be issued unless someone independent of the check processing function has verified that a stop payment was placed on the original check, and that it has been voided in the accounts payable system.
17. The pastor (or his designee – someone not involved in the cash activities of the auxiliary association) is to open and review the bank statements before they are forwarded to an officer of the organization. The review should include a comparison of signatures on the checks or facsimile copies of checks for authenticity, or, if the group uses positive pay, the review should include a comparison of check numbers to those listed on the check usage log (which was previously signed when checks were presented for signature) to ensure that no check numbers were presented for payment that were outside the range of check numbers issued per the check usage log.
18. Bank reconciliations should be prepared monthly, as soon as the bank statement is received. The bank reconciliation should be signed and dated by the person who performed the reconciliation. At least quarterly, a designated member of the organization who is independent of cash and checking activities should review the bank statements and reconciliations. The officer reviewing the reconciliation should sign and date the bank reconciliation indicating a satisfactory review of the information.
19. Contributions received by the parish on behalf of auxiliary organizations should be counted by the parish or school, following the same internal control procedures used for all other receipts.

209.3 Reporting Requirements

All auxiliary organization's bank account balances must be reported to the Diocese twice during each fiscal year. The Supplemental Financial Information Pages, Appendix K, page 2, part 1, should be used to report these balances.

A financial statement should be prepared on, at least, a quarterly basis. The statement should include all revenues and expenses, and reconcile the activity to beginning and ending cash balances. It should be sent to the pastor for his review within 30 days of each quarter-end. In addition, the financial statement, bank reconciliation and bank statement should be presented at the organization's meetings and should be available to all constituents. A sample reporting form is included in this manual as Appendix M.

209.4 Sales and Use Taxes

As noted in Section 207, Sales Taxes, auxiliary organizations are not exempt from paying N.C. sales and use taxes on purchases of tangible personal property. These organizations may apply for a refund of taxes paid through their associated diocesan entity every six months. Sales of tangible personal property by these organizations are subject to the same sales tax provisions as all diocesan entities (see Section 207).

209.5 Acknowledgements

The organization should follow the procedures outlined in Section 105.4 for acknowledging charitable donations. In addition, the organization should be mindful, and advise donors, that contributions received for purposes other than that which are consistent with the mission of the organization are not tax deductible. An example of such is a donation to a collection used to purchase gifts for teachers or coaches.

209.6 Payments for Services Rendered

Auxiliary organizations fall under IRS regulations concerning payments to individuals for services rendered. Such payments are subject to IRS reporting requirements. Refer to Sections 301 and 303 for detailed information. Examples of such include payments to referees, traffic officers and child-minders.

To facilitate complete and accurate reporting for tax purposes, auxiliary associations should not issue checks directly to individuals in payment for services rendered. Instead, the auxiliary association is to issue a check for the amount of the payment to the Church for deposit into the general operating account. The Church is to issue the check to the individual for payment of services rendered on behalf of the auxiliary association. The Church is to maintain records on collective payments to individuals from all groups that operate under the umbrella of the Church.

210 PAYMENTS TO NON-RESIDENT ALIENS

210.1 General

Foreign nationals occasionally visit to perform various functions, from soliciting funds for foreign missions to rendering services, as independent contractors, to a parish. As a general rule, income earned in the United States is subject to federal income tax. Therefore, payments made to non-resident aliens for services rendered must be reported to the IRS. In many instances, federal taxes must be withheld from the payments. There are specific IRS forms that must be obtained from the payee, in addition to filing and withholding requirements.

210.2 Payments for Services Rendered

Prior to hiring a nonresident alien as an independent contractor, the parish/school/agency must comply with the following:

- The parish/school/agency must request IRS Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding, to be completed by the non-resident alien receiving non-employee compensation. The form must be completed and on file in the office prior to the first payment for services rendered.
- If the non-resident alien does not have a federal taxpayer identification number, he/she should request one by completing and filing IRS Form W-7, Application for Taxpayer Identifying Number. This form should be completed by the non-resident alien and submitted to IRS according to the form instructions. Once the TIN is received by the non-resident alien, he/she should provide it to the parish/school/agency.

In most cases 30% of all payments for services rendered by non-resident aliens will need to be withheld for federal income taxes. Withheld taxes must be deposited with the IRS, accompanied by Form 8109B tax coupon, or file electronically.

At the end of the year, the parish/school/agency must comply with the following filing requirements:

- Complete Form 1042S, Foreign Persons U.S. Source Income Subject to Withholding, providing the service provider with a copy for their tax records.
- Complete Form 1042-T, Annual Summary and Transmittal of Forms 1042-S, attaching all Forms 1042-S.

The provider is required to file Form 1040NR, U.S. Non-Resident Alien Income Tax Return with the IRS for any year income is earned in the U.S.

EMPLOYEE/INDEPENDENT CONTRACTOR ACTIVITIES

301 GENERAL

301.1 Employee or Independent Contractor?

All lay persons performing services for compensation are to be classified as either:

- an employee, or
- an independent contractor.

Financial assistance provided to needy persons should never be given under the guise of "working for money," unless the individual is hired as an employee. In that case, the financial compensation is considered taxable income.

To determine whether an individual is an employee or an independent contractor the relationship of the worker and the business must be examined. In any employee-independent contractor determination, all information that provides evidence of the degree of control and the degree of independence must be considered. The IRS has identified 3 categories of facts that provide evidence of the degree of control and independence: behavioral control, financial control, and the type of relationship of the parties. These facts are discussed below.

1. **Behavioral control.** Facts that show whether the business has a right to direct and control how the worker does the task for which the worker is hired include the type and degree of:

Instructions that the business gives to the worker. An employee is generally subject to the business' instructions about where, when, and how to do the work. All of the following are examples of types of instructions about how to do work.

- When and where to do the work
- What tools or equipment to use
- What workers to hire or to assist with the work
- Where to purchase supplies and services
- What work must be performed by a specified individual
- What order or sequence to follow

The amount of instruction needed varies among different jobs. Even if no instructions are given, sufficient behavioral control may exist if the employer has the right to control how the work results are achieved. A business may lack the knowledge to instruct some highly specialized professionals; in other cases, the task may require little or no instruction. The key consideration is whether the business has retained the right to control the details of a worker's performance or instead has given up that right.

Training that the business gives to the worker. An employee may be trained to perform services in a particular manner. Independent contractors ordinarily use their own methods.

2. **Financial Control.** Facts that show whether the business has a right to control the business aspects of the worker's job include:

- a. *The extent to which the worker has unreimbursed expenses.* Independent contractors are more likely to have unreimbursed expenses than are employees. Fixed ongoing costs that are incurred regardless of whether work is currently being performed are especially important. However, employees may also incur unreimbursed expenses in connection with the services that they perform for their business.
- b. *The extent of the worker's investment.* An independent contractor often has a significant investment in the facilities he or she uses in performing services for someone else. However, a significant investment is not necessary for independent contractor status.
- c. *The extent to which the worker makes his or her services available to the relevant market.* An independent contractor is generally free to seek out business opportunities. Independent contractors often advertise, maintain a visible business location, and are available to work in the relevant market.
- d. *How the business pays the worker.* An employee is generally guaranteed a regular wage amount for an hourly, weekly, or other period of time. This usually indicates that a worker is an employee, even when the wage or salary is supplemented by a commission. An independent contractor is usually paid by a flat fee for the job. However, it is common in some professions, such as law, to pay independent contractors hourly.
- e. *To the extent to which the worker can realize a profit.* An independent contractor can make a profit or a loss.

3. **Type of relationship.** Facts that show the parties' type of relationship include:

- a. Written contracts describing the relationship the parties intended to create.
- b. Whether or not the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay.
- c. The permanency of the relationship. If you engage a worker with the expectation that the relationship will continue indefinitely, rather than for a specific period, this is generally considered evidence that your intent was to create an employer-employee relationship.
- d. The extent to which services performed by the worker are a key aspect of the regular business of the company. If a worker provides services that are a key aspect of your regular business activity, it is more likely that you will have the right to direct and control his or her activities.

301.2 Hiring an Employee/Contracting with an Independent Contractor

The forms required for each employee when hired are as follows:

- W-4,
- NC-4,
- I-9, (to be kept separately from the personnel file)
- Direct deposit form

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- Employee Handbook acknowledgment receipt (includes acknowledgement of the sexual misconduct policy and the Code of Ethics in the 2009 revision), and
- Background Check release form.

These forms must be kept on file in the business office of your location. In addition to the above, the Diocesan Personnel Policies Manual requires that a personnel file be established and maintained for all employees. This file should contain the forms listed above, a completed Job Application, a Job Description, and a signed Payroll/Status Change Notice.

The information required of independent contractors is as follows:

- Business name (if applicable),
- address, and
- tax payer identification number (this may be an individual's social security number).

Form W-9 should be requested of all independent contractors. The forms provide space for the above information and also requires certification by the independent contractor as to whether federal backup withholding is needed.

To facilitate accurate and complete records for 1099 reporting, independent contractors are to be paid directly by vendor check. Payment is not to be from petty cash or by credit card.

301.3 Employee Benefits

The diocese sponsors a number of employee benefit programs for eligible employees. These include:

- Group health insurance
- Term life insurance
- Long term disability insurance
- 403(b) retirement program
- Compensatory time-off programs.

The diocese sponsors a comprehensive selection of various levels of coverage of health insurance. Each location (parish/school/agency) pays the employer's share of the monthly premium based on the level of coverage selected by the employee:

- Employee only
- Employee + spouse
- Employee + child
- Employee + children
- Family

The employees' share of the monthly premium depends on the level of coverage selected.

Term life insurance and long term disability are fully funded by the parish/school/agency.

Compensatory time-off is dependent on the length of service. Details can be found in the Diocesan Employee Handbook.

In addition to the above employer sponsored benefits, there are a number of other optional benefits available to employees. The premiums of these optional benefits are paid by the employee via payroll deduction. Details of these benefits can be found in the Diocesan Employee Handbook.

The Diocese sponsors a noncontributory defined benefit pension plan (the "Lay Plan") for all eligible diocesan lay employees. The Lay Plan provides for benefits based on an employee's years of service and compensation. In fiscal year 2017, the Lay Plan was amended to eliminate future accruals for all participants, except for those who are at least age 62 and have at least 12 years of service as of January 1, 2018. Although the plan has been frozen, employees who are participants in the plan will retain benefits accumulated up to January 1, 2018 based on credited service and eligible earnings, in accordance with the terms of the plan.

In conjunction with the Lay Pension Plan freeze, the diocese instituted a core contribution to eligible employee's 403(b) plan accounts. Under this provision, the employer contributes 5% of the employees' annual earnings to a 403(b) retirement program for all non-temporary employees who work at least 1,000 hours in the calendar year. No employee contribution is required to be eligible for the 5% contribution. This contribution is allocated to each participant after year-end. In addition, the employer offers an additional 403(b) match. The

employer matches 50% of the first 4% of employee deferral to the 403(b) program. This contribution is allocated to participants on a per payroll period basis.

302 PAYROLL & RELATED ACTIVITY

302.1 Payroll Processing

The Diocese has contracted with IOIPay for payroll processing at all diocesan locations. Please refer to the IOIPay manual for instructions. For additional assistance, contact the diocesan accounting office.

Non-exempt (hourly) employees are to record the time worked on a time report. The timesheet must show actual times 'in' and 'out' at the beginning and end of each day, meal periods and other absences. The employee is to sign the time report and submit it to the office at the end of the pay period. All time reports are to be approved in writing by the employee's supervisor or the pastor; no one may approve his/her own time report. The Diocese has developed a standard timesheet which may be completed electronically or manually. If you are interested in using this form, please contact [Ms. Caroline Leon \(704\) 370-3367](#).

All payments to employees, including bonuses and gifts, constitute taxable earnings, and are to be processed through payroll and included on the employee's Form W-2.

Calculation of the payroll for non-exempt employees is determined by multiplying the hours worked by the approved hourly rate and deducting payroll taxes and other authorized deductions. Hours worked in excess of forty hours per weekly pay period must be paid at 1^{1/2} times the hourly rate.

To qualify as an exempt employee, the employee must be paid on a salary basis at not less than \$684 per week in gross wages, and meet certain tests regarding their job duties. Those tests are outlined in the U.S. Department of Labor Fair Labor Standards Act.

Teachers are exempt from the minimum salary threshold ([\\$684/week](#)) if their primary duty is teaching, tutoring, instructing or lecturing in the activity of imparting knowledge, and if they are employed as a teacher in an educational establishment. While diocesan and parish schools are considered educational establishments, parishes are not.

Ministerial exemptions are a creature of the court system and have been accepted in Equal Employment situations. However, as far as the U.S. Dept. of Labor is concerned, there have been only isolated attempts, through the courts, to establish a ministerial exemption. The Diocese has consistently maintained that only ordained clergy would be eligible for any special treatment as a minister. Therefore, non-ordained ministers (i.e., youth ministers, music ministers, etc.) are not exempt from the minimum salary threshold of [\\$684](#) per week.

Exempt employees' gross pay is computed by dividing the annual salary by the number of pay periods per year. Exempt employees do not receive additional compensation for time worked in excess of the standard workweek.

Diocesan priests are exempt employees. The priests' pay consists of their salary, automobile allowance (for those priests with personally owned cars), and stipends. The amount of the salary and auto allowance is determined by the Diocese prior to the beginning of each fiscal year. When checks for payment of stipends are made payable to the Church, the checks are to be deposited in the parish bank account. The donation should be credited to Account 2310- Custodial Obligations, Mass Intentions. Payment should be issued to the priest through payroll.

Payroll deductions include the following:

- payroll taxes,
- health insurance co-payment,
- 403(b) retirement plan,
- court and government imposed levies,
- premiums for employee supplemental life insurance,
- premiums for dependent life insurance,
- premiums for short-term disability,
- flex spending account contributions.

The net amount after deductions is payable to the employee; employee pay should always be in the form of a check or direct deposit to the employee's bank account. Direct deposit is encouraged.

Reports provided by IOIPay document payroll calculations for each employee. These reports should be hard copy, and accumulated in a permanent binder. When direct deposit is utilized, the pastor or his designee should review the payroll report, and sign it, denoting his review. In addition to reviewing reports for each pay period, the pastor or his designee should review reports covering a specific time period, for example, monthly or quarterly. The reviewer should ensure that the beginning date of the specific time period being examined immediately follows the ending date of the prior specific time period examined. This review would detect any unauthorized payroll that was processed during the period selected.

According to IRS code, religious priests, brothers, and sisters providing services to Diocesan entities are considered agents of their order, and are not liable individually for federal income or employment taxes on compensation paid by their employer, provided three criteria are met:

- The religious order member must be subject to a vow of poverty, and
- The religious order member must be providing services for a Diocesan entity at the direction of his or her ecclesiastical superiors, and

- The religious order member must remit compensation to his or her religious order, which must be exempt from federal income tax under IRS code section 501c (3).

If any of these criteria fails to be met, the religious order member is taxable individually on compensation received.

Compensation can be paid by check payable to the religious order, or by check payable jointly to the religious order and the individual religious order member. If the payment criteria listed above is satisfied, and compensation is not taxable to the individual religious order member, no reporting on Form W2 or Form 1099 is required.

302.2 Payroll Tax Deductions

All compensation paid to employees for services rendered is taxable wages (including bonuses and monetary gifts), and, therefore, is subject to payroll withholding and employer payroll taxes. The following taxes must be withheld from all lay employee wages:

- Federal income taxes,
- Social security,
- Medicare, and
- State income taxes.

Payroll taxes are computed as follows:

- Federal income tax is computed on gross salary less health insurance co-payment, 403(b) deduction, and the portion of premiums paid for life insurance not subject to income tax. Please note that the first \$50,000 of life insurance is not subject to income tax or FICA (\$10,000 basic life plus the first \$40,000 of supplemental life). However, the premium associated with supplemental coverage over \$40,000 is subject to tax under provisions of the IRS Code.
- State income tax is computed on gross salary less health insurance co-payment, 403(b) deduction, and the portion of premiums paid for life insurance not subject to income tax.
- Social Security and Medicare are computed on gross salary less health insurance co-payment, and the portion of premiums paid for life insurance not subject to Social Security or Medicare.
- Diocesan priests are considered parish employees for income tax purposes, but are considered self-employed for Social Security purposes. As such, a priest's wages are not subject to withholding for Social Security or Medicare.
- Diocesan priests are not required to have income taxes withheld from their pay. They may pay federal and state taxes quarterly, as estimated payments to the IRS and N.C. Dept. of Revenue. Alternatively, a priest may elect to have his parish withhold federal and state income tax from his pay. He may elect to have sufficient amounts withheld as federal income tax to cover both federal income taxes and federal self-employment taxes. He would have to complete, sign, and date the appropriate withholding forms

(Federal Form W-4, State Form NC-4).

The amounts to withhold can be determined by reference to the following publications:

- Circular E for federal taxes, and
- State Income Tax Tables for state taxes.

Payroll taxes are not withheld or remitted from payments made to independent contractors or on behalf of qualified Religious Order priests, brothers or sisters. Payroll Tax Remittances and Payroll Tax Reporting

The remittance of payroll taxes is the responsibility of IOIPay payroll service. The payroll service also prepares and remits all reports required for compliance with taxing authorities, both quarterly and annually.

302.3 Worker's Compensation Reports

Worker's compensation insurance coverage is provided by the diocese. The diocese pays the blanket premium, handles correspondence with the insurance carrier, and charges diocesan entities for their portion of the premium. Parishes, schools and agencies with more than two employees are required by North Carolina to complete and submit an annual informational form concerning their worker's compensation coverage. The form can be found with either the fourth quarter State withholding booklet or with the monthly State deposit coupon book. The requested information is available from the diocese and will be mailed to all diocesan entities in early January of each year.

302.4 Payroll in the General Ledger

For an additional fee, payroll information can be downloaded from IOIPay to ParishSOFT Accounting. If it is not downloaded, payroll information should be entered into the general ledger by journal entry in a timely manner.

302.5 New Hires Reporting

North Carolina employers, including all parishes, schools and agencies are required to report certain information about all employees (including diocesan priests) who have been newly hired, rehired, or have returned to work. Reports must be sent within 20 calendar days of date of hire. IOI Payroll service is responsible for completing and remitting these reports.

303 GIFTS TO EMPLOYEES OR VOLUNTEERS

303.1 Gifts to Employees

Not all gifts to employees are considered to be taxable income. Gifts under special circumstances, such as sympathy or administrative assistant day, which have a low market value, are not required to be included in taxable income. Examples of these gifts include books or flowers. Occasional holiday parties or group meals can also be excluded. Cash or cash equivalents, including gift cards, regardless of the amount, are considered to be taxable compensation. They are never excluded from taxable compensation.

303.2 Gifts to Volunteers

As with employees, de minimus gifts (gifts with low market value that are given infrequently) may be given to volunteers. Examples of such gifts include books, flowers, coffee mugs, or prayer cards. Gifts of cash or cash equivalents (gift cards of any amount) change the relationship of the volunteer. When a volunteer is given a gift of cash or cash equivalent, no matter how nominal, the volunteer becomes an independent contractor. The individual should complete Form W-9, and if the gifts amount to \$600 or more in a calendar year, Form 1099 must be completed, furnished to the individual, and filed with the taxing authorities.

304 STIPENDS

Stipends for Mass intentions and for other services rendered such as baptisms, weddings, and funerals are taxable income to the recipient. If payments intended for the celebrant are directed to the parish, they are to be recorded in the parish general ledger as a custodial obligation, deposited in the parish bank account, and paid to the priest or deacon upon completion of the service. If the celebrant is an employee, the stipend is to be processed in the IOI payroll system using earnings code CSTP (Custodial Obligations Stipends).

All stipends paid to employees by a parish/school/agency are to be processed through IOI payroll and reported on form W-2. All stipends paid to non-employees are to be processed through Accounts Payable in ParishSOFT Accounting, and be coded for Form 1099 reporting. Stipends are never to be paid in cash.

Payments issued by third parties directly to the priest or deacon are not processed through the parish books. The recipient of the payment is responsible for performing the service, and for record keeping and reporting the income on their annual tax return.

305 REPORTING PAYMENTS FOR SERVICES RENDERED (NON-PAYROLL)

Annually:

- Forms 1099 must be completed and mailed to all persons and other unincorporated entities to which you have paid \$600 or more in rent or for services rendered during the calendar year.
- Forms 1099 and accompanying transmittal form 1096 must be mailed to the Internal Revenue Service by January 31 (for Forms 1099-MISC reporting Non Employee Compensation).

306 TAXABLE INCOME TO DIOCESAN PRIESTS

Priests have several sources of income from parishes as follows:

Taxable Income

- Salary - Pastors are paid a monthly salary which is set by the Chancery in an annual letter to priests.
- Car allowance - Each priest who owns a car is entitled to a monthly auto allowance. The allowance amount is set by the Chancery in an annual letter to priests.
- Room and board provided at the rectory: The value of these items, housing and food, must be included in the priest's self-employment wages (on Form 1040, Schedule SE) and self-employment taxes must be paid on these amounts. Determining the value of the housing and food can vary depending on the location of the housing, whether or not it is in a parish rectory, the level of privacy, etc. The IRS suggests that the priest use a reasonable method to value both the room and meals based on comparable data. The Diocesan tax consultant suggests a monthly range for priests to use, and it is included in an annual letter from the Chancery to priests. Please note that this amount is only subject to self-employment tax, not income tax.
- Stipends - Any mass stipends and/or other fees received are taxable income regardless of whether received from the parish or from an individual. Amounts paid directly from individuals are not included on priest's Form W-2. As these amounts are the result of services performed, masses, weddings, baptisms, etc., they should be reported on the priest's income tax return. The amounts are taxable whether they were given as a result of established fees or in those cases when there are no set fees.

Non-taxable Income

- Gifts not related to services rendered- Gifts given for birthday, anniversary, going-away, and get-well-soon presents are not taxable.

The following table summarizes the above tax issues:

	Reported to Priest	Subject to Income Tax	Subject to Self-Employment Tax
Salary (Include auto Allowance)	W-2	Yes	Yes***
Parish provided room and board	Not reported*	No**	Yes
Stipends paid by parish	W-2	Yes	Yes
Stipends paid by others	Not reported*	Yes	Yes
Gifts (not related to services rendered)	Not reported	No	No

* Amount to be determined by the priest

** Provided priest lives and takes meals at the rectory.

*** When calculating net income subject to self-employment tax, do not include the amount contributed to the 403(b) plan via payroll deduction

Please note the following concerning priest's 403(b) contributions to the Diocesan sponsored 403(b) retirement plan made via payroll deduction:

The calculation of a priest's income subject to self-employment tax is his personal responsibility. As such, this amount is not reported to priests by the parish or Diocese on the priest's Form W-2. For purposes of calculating a priest's net income subject to self-employment tax, the amount contributed to the diocesan 403(b) retirement plan via payroll deduction is not to be included. This is an exception to the standard treatment for lay employees who must include contributions to the 403(b) retirement plan in income subject to Social Security tax.

307 DATA PRIVACY AND SECURITY

307.1 State Law

The “Identity Theft Protection Act of 2005” became effective on December 1, 2005 in the state of North Carolina. The law applies to the Diocese and all of its entities. There are three primary provisions of the law that impact diocesan entities’ procedures, as follows:

1. Social Security numbers must be safeguarded, not required by internet transmissions (unless the connection is secure), not printed on any materials that are mailed (unless state or federal law requires the social security number to be on the document to be mailed), and not disclosed to a third party without the written consent of the individual. Please note: Social Security numbers cannot be printed on pay stubs or check stubs that are sent by mail.
2. Reasonable measures must be taken to protect against unauthorized access to, or the use of, an individual’s personal information in connection with or after its disposal.
3. Whenever a security breach occurs in which an individual’s personal information may have been compromised, notice of that breach shall be provided to the affected person.

307.2 Safeguarding Protected Personal Information

Definition – Protected Personal Information (PPI): Any information, especially when in association with the name of the individual owner (including employees, vendors, and donors), that is not already public and is not authorized by the individual owner to be made public, including but not limited to:

- a) Social Security numbers and other government issued identifying numbers,
- b) passport numbers,
- c) credit card numbers,
- d) bank account & routing numbers,
- e) payroll information,
- f) date of birth, age, etc.

Guidelines:

- Access to and disclosure of PPI is to be strictly limited to individuals with an official need to know.
- All PPI received in hard copy form is to be secured at all times - from the time it enters the building, to the time it is entered or processed, to the time it is destroyed.

- PPI entering the building by mail is to be delivered in sealed envelopes (unless it is hand delivered directly by and to those with authorization to view it), rather than through unsealed interoffice envelopes.
 - Once the envelope is opened, the information is to be locked in a desk drawer or safe until it is processed. PPI is never to be left unattended (lying on a desk, open in an inbox, in a chair, etc.) even for just a few minutes.
 - Once the information is processed, PPI is to be destroyed immediately (in the case of credit card numbers) or filed in a locked filing cabinet.
 - There should be a regular schedule for destroying PPI, which is strictly adhered to.
- All PPI received electronically is to be kept in network folders (not on a local computer's hard drive) that are password protected with access limited to only those with a need to know. The email is to be deleted from the In-box and from the Deleted email folder. These files are to be deleted immediately after processing for its intended use, where applicable. PPI is never to be stored on mobile phones, tablets, laptops, or local computer hard drives.
- Credit card numbers received through the mail or received verbally by telephone and hand-written are to be secured at all times and destroyed (via cutting and/or shredding) immediately after processing.
- When dealing with student emergency cards, a balance between accessibility and privacy must be maintained. Student emergency cards are to be kept in a cabinet or drawer that is readily available to those who need access to the information; they should not be placed in a position where they could be viewed or accessed by school visitors or non-authorized staff.
- When sending PPI electronically, it is to be sent via encrypted email. If encrypted email is not available and a time sensitive situation occurs, the PPI can be sent via non-encrypted email only if it can be sent in such a way that the PPI cannot be associated with a particular individual. For example: **Acceptable email:** *The correct pay rate for the teacher we discussed in a previous email is A-5.* **Unacceptable email:** *The correct pay rate for Mary Smith is A-5.* Documents containing PPI (tax forms, background authorization forms, etc.) are not to be sent as attachments to non-encrypted email.
- When sending PPI via fax, it is to be sent to a fax machine located in a secure area, not to a machine located in a public area.
- When sending PPI via the mail, it is to be addressed to a specific individual and marked "confidential". When sending PPI by courier, it is to be sent in a sealed envelope, addressed to a specific individual and marked "confidential".

307.3 Protocol When PPI Compromised

Donor bank account information compromised:

1. Immediately contact the diocesan attorney, Joseph Dodge, (jfdodge@charlottediocese.org) to inform him of the breach.
2. File a police report if theft or another crime has been committed.
3. Notify affected individuals in writing that their bank account information has been compromised (i.e., donor checks stolen) using the most expeditious means available. This should be coordinated with the above point person. The attached model letter should be used. The notification must contain the following:
 - a. The nature of the compromise (i.e., that the funds were stolen; from where the funds were stolen, the date the funds were stolen or the date it came to your attention that the funds were stolen).
 - b. That a police report has been filed – if theft or another crime has been committed.
 - c. That individual donor's check number, check date, check payee and amount of the check stolen or otherwise compromised (if known).
 - d. A telephone number that the person may call for further information.
 - e. The following recommendation: "We strongly suggest that you contact your financial institution and all major credit bureaus immediately to inform them of the breach and then take whatever steps are recommended to protect your interest."
 - f. A statement that the check(s) will be returned to them if it is recovered (if applicable)

Donor credit card information, social security or other government issued identifying information compromised:

1. Immediately contact the diocesan attorney, Joseph Dodge, (jfdodge@charlottediocese.org) to inform him of the breach.
2. Take all affected equipment offline immediately; don't turn any machines off until notified to do so. Secure physical areas potentially related to the breach. Lock them and change access codes. Be careful not to destroy any evidence.
3. File a police report if a crime has been committed and the data breach results in harm to a person or a business. If your local police are not familiar with investigating information compromises, contact your local FBI office or the U.S. Secret Service. For incidents

involving mail theft of customer data, contact the U.S. Postal Inspection Service. To find the nearest field office, use an online search engine or check the blue pages of your telephone directory.

4. Report the incident to the Federal Trade Commission at www.ftc.gov/idtheft or by calling 1-877-ID-THEFT (877-438-4338).
5. If the compromise involves more than 1000 persons, contact the Consumer Protection Division of the N.C. Attorney General's Office and all consumer reporting agencies that compile and maintain files on consumers on a nationwide basis and notify them of the timing, distribution and content of the notice.
6. Notify affected individuals in writing, using the most expeditious means available. This should be coordinated with the above point person. The attached model letter should be used. The notification must contain the following:
 - a. The facts known about the compromise, including what information was involved (email addresses, passwords, credit card information, Social Security numbers, etc.), how it happened, the date it occurred or the date it came to your attention, how the thieves might have used the information, and what actions you've taken.
 - b. That the proper authorities (i.e. police, FBI, Secret Service) have been notified.
 - c. A telephone number the person may call for additional information.
 - d. The following recommendation: "We strongly suggest that you contact your financial institution and all major credit bureaus immediately to inform them of the breach and then take whatever steps are recommended to protect your interest."
 - a. Equifax – 1-800-525-6285
 - b. Experian – 1-888-397-3742
 - c. TransUnion – 1-800-680-7289

(Sample letter next page)

SAMPLE LETTER

(Insert Logo)

(Insert Date)

RE: NOTICE OF DATA BREACH

Dear [Insert Name]

We are contacting you about a data breach that has occurred at [Name of location].

[Describe how the data breach happened, the date of the breach, and how the stolen information has been misused (if you know)].

This incident involved your [describe the type of personal information that may have been exposed to the breach].

[Describe how we are responding to the data breach, including: what actions we've taken to remedy the situation; what steps we are taking to protect individuals whose information has been breached; agencies contacted; and what services we are offering (like credit monitoring or identity theft restoration services)].

We strongly suggest that you contact your financial institution and all major credit bureaus immediately to inform them of the breach and then take whatever steps are recommended to protect your interest, including placing a fraud alert on your credit file. A fraud alert tells creditors to contact you before they open any new accounts or change your existing accounts. Call any one of the three major credit bureaus. As soon as one credit bureau confirms your fraud alert, the others are notified to place fraud alerts. The initial fraud alert stays on your credit report for 90 days. You can renew it after 90 days.

Equifax: Equifax.com or 1-800-525-6285

Experian: Experian.com or 1-888-397-3742

TransUnion: transunion.com or 1-800-680-7289

Request that all three reports be sent to you, free of charge, for your review. Even if you do not find any suspicious activity on your initial credit reports, the Federal Trade Commission (FTC) recommends that you check your credit reports periodically. Thieves may hold stolen information to use at different times. Checking your credit reports periodically can help you spot problems and address them quickly.

If you find suspicious activity on your credit reports or have reason to believe your information is being misused, file a police report. Make sure to get a copy of the police report for your records. You may need to clear up fraudulent debts.

If your personal information has been misused, visit the FTC's site at IdentityTheft.gov to get recovery steps and to file an identity theft complaint. Your complaint will be added to the FTC's Consumer Sentinel Network, where it will be accessible to law enforcers for their investigations.

You also may want to consider placing a credit freeze on your credit file. A credit freeze means potential creditors cannot obtain your credit report. That makes it less likely that an identity thief can open new accounts in your name. This is done by contacting the major credit bureaus at their telephone numbers above. There may be a cost associated with placing a credit freeze.

If you have additional questions, please contact us at [insert phone number]. It is unfortunate that you are having to take these steps but we are confident, if you do, your interest going forward will be better protected.

Sincerely,

[Insert Name]

CASH MANAGEMENT

401 BANK RECONCILIATION PROCEDURES

Upon receipt, monthly bank statements should be opened by the pastor, school principal or agency director who should review statement activity. He/she should compare the check numbers to those listed on the check usage log (which was previously signed when checks were presented for signature) to ensure that no check numbers were presented for payment that were outside the range of check numbers issued per the check usage log. The activity per the statement is to be reconciled to activity per the check register or general ledger report. Differences between the book balance and the bank statement balance should be investigated, reconciled, and recorded in the general ledger if necessary. Checks outstanding for more than 60 days should be investigated and resolved. The bank reconciliation is to be signed and dated by the person reconciling the account.

At least four times per year and, in conjunction with annual and semi-annual closing of the financial records, a parish finance council member is to review the bank reconciliation, along with the financial report from the closed financial period. At a minimum, the bank reconciliation review should consist of the following:

- the book balance on the financial report is to be compared to the bank reconciliation report;
- the bank balance on the bank reconciliation is to be compared to the bank statement;
- all reconciling items are to be reviewed for reasonableness;
- all unusual or unidentified differences are to be investigated and resolved;

Additional procedures for parishes/schools/agencies that do not utilize positive pay:

- bank statements are to include facsimile copies of the checks;
- the payees on all checks (or check facsimiles) are to be reviewed to ensure that they agree with the payees as shown in the general ledger (or accounts payable) system. The reviewer should also ensure that all checks listed on the bank statement are present and reviewed.

The council member(s) reviewing the reconciliation and report(s) must sign the bank reconciliation indicating a satisfactory review of the information.

402 SAVINGS/INVESTMENTS

402.1 Savings and Investment Programs

The Diocese administers a Savings Program and an Investment Program through DL Catholic, Inc. These programs have been established for the benefit of diocesan parishes, schools and agencies. Funds in excess of that which is required for normal operating expenses are to be deposited into a diocesan approved savings program. At the end of each month, the amount of cash in the checking account should be reviewed to determine whether excess cash should be transferred to parish savings.

The terms of the programs are subject to change with 30 days notice, and are currently as follows:

	Savings Program	Investment Program
Earningsrate:	Fixed monthly at the prime rate less 3.5% (prime as established by Wells Fargo Bank at the opening of the first day of the month.)	Fixed monthly at the prime rate less 2.5% (prime as established by Wells Fargo Bank at the opening of the first day of the month.
Minimum Account	Minimum rate .5%	Minimum rate 1.0%
Balance:	\$100	\$5,000
Minimum Period	None	18 months
Deposit Dates:	Anytime	Any time
Withdrawal Dates:	Anytime. Withdrawals Should be requested 10 days in advance.	Anytime, subject to the minimum Investment period of 18 months. Withdrawals should be requested 10 days in advance.

Interest earned on the savings and investment programs is reported quarterly by statement. This statement also enables the parish/school/agency to reconcile its' savings balances on a regular basis.

Deposits to both programs should be mailed to the Pastoral Center Finance Office. Deposits to the investment program must be accompanied by a "deposit advice" signed by the pastor. A deposit advice is included as Appendix J. In the event a parish/school/agency with funds on deposit in the Investment Program needs funds during the minimum investment period, the parish/school/agency can borrow an amount (less than or equal to the amount in the plan) at an interest rate of prime (as established by Wells Fargo Bank) less one-half percent.

402.2 Endowments/Diocesan Foundation

The Diocese established a foundation, the Foundation of the Roman Catholic Diocese of Charlotte, Inc., in 1994 as a separately incorporated non-profit organization. Its purpose is to provide endowments for the Diocese of Charlotte and its parishes, schools, agencies, and organizations. Through these endowments, the foundation provides a means to generate income for the long-term financial stability of these entities.

The foundation uses the strict definition of endowment: a permanent fund, the principal of which is never touched but the income from which can be used in accordance with the wishes of the donor organization or individual. The assets of the foundation grow through sound investment policies and from additional gifts. An endowment fund should not be confused with a capital fund, a reserve fund, or a special projects fund, all of which generally allow expenditures of principal.

Investment income attributable to the assets may be withdrawn, as the foundation shall determine, less administrative costs. Income withdrawals may be requested at the end of each calendar quarter after the first year. Funds deposited with the foundation are invested in common with the other assets of the foundation, in accordance with the investment policies and objectives of the foundation. Endowment Fund Agreements may be obtained from the Development Office. Checks should be made payable to the Foundation of the Roman Catholic Diocese of Charlotte and mailed to the Pastoral Center Finance Office.

402.3 Investment of General Bequests

It is the policy of the diocese that diocesan entities receiving general bequests of \$10,000 or more invest at least 50% of those funds in an endowment with the diocesan foundation earmarked for that entity. That amount can be added to an existing endowment or a new endowment account may be established.

It is the policy of the diocese that entities receiving bequests for scholarships invest 100% of those funds in an endowment with the diocesan foundation, earmarked for that parish or school.

402.4 Allowable Cash Investments

The Diocese also permits investments with the Self-Help Credit Union and the Latino Community Credit Union. The Self-Help Credit Union works in partnership with other non-profits throughout North Carolina to provide home mortgages to lower-income families. Investments with the Self-Help Credit Union may be in the form of Money Market Checking Accounts, Regular Share Accounts, and Certificates of Deposit.

The Latino Community Credit Union was established to assist the growing number of Hispanics in North Carolina with banking and credit services. Investments with the Latino Community Credit Union may be in the form of regular savings accounts, Money Market accounts, Share Accounts and Certificates of Deposit.

The Diocese does not allow parishes, schools or agencies to deposit funds with any other savings plans; nor does it permit any other investments. Thus, savings, investment or brokerage accounts at banks or other financial institutions (other than with the Self-Help Credit Union and the Latino Community Credit Union, as discussed above) are not permitted.

PARISH FINANCIAL REPORTING

501 FINANCIAL REPORTING

501.1 Objectives

The primary objectives of parish financial reporting are as follows:

- to accurately and completely report the financial activity of the parish on a timely basis;
- to summarize financial transactions in a simple, concise and consistent manner; and
- to provide a "benchmark" in conjunction with the financial statements in the form of a budget so that readers of the statements have a basis of comparison for assessing financial activity.

501.2 Accounting Principles

Receipts/Revenue

- Revenue is to be recorded when received, not on the basis of a pledge or other commitment.
- Advance Payments: Receipts representing deposits for the purchase of columbarium niches and cemetery plots, and tuition payments received prior to the period in which the educational activities will take place are to be recorded as a liability (unearned income) and reclassified to income when the revenue is earned.
- Custodial Receipts: Receipts over which the parish has no discretion as to their use represent custodial transactions and are to be recorded as a liability (custodial obligations) until paid. This includes receipts from national and diocesan collections and payments for Mass intentions.

Expenses/Liabilities

- Expenses are to be recorded when incurred (upon receipt of merchandise and when services are rendered) and recorded as a liability (accounts payable) until paid. When teacher salaries are paid over the course of the school year and following summer, deferred salaries, taxes and benefits are to be expensed and recorded as a liability (accrued salaries, taxes and benefits) over the course of the school year. Upon payment of the deferred salaries, taxes and benefits, the accrual is to be charged.
- Expenses Paid in Advance: Expenditures representing deposits for merchandise on order and services under contract are to be recorded as a prepaid asset. Upon receipt of the merchandise and completion of services, the appropriate expense account is to be debited and the prepaid asset account credited.

Reimbursable Expenditures

- Payments that will be reimbursed are to be recorded to accounts receivable until reimbursement is received. This includes sales taxes paid to a vendor that are eligible for refund from the North Carolina Department of Revenue.

Capital Assets

- Expenditures for fixed assets with a cost >\$2,500 and a useful life of more than one year are to be capitalized and reported on the balance sheet. Donations of fixed assets with a fair market value >\$2,500 and a useful life of more than one year are to be recorded by debiting the fixed asset account and crediting the in-kind donations account. To determine whether an expenditure is a capital item or should be recorded as a repair, consider whether the expenditure extends the asset's life. For example, replacing the entire roof on a building extends the life of the building and, therefore, represents a capital asset, while replacing a portion of the shingles damaged by a storm is a repair. Similarly, repaving a parking lot extends the life of the lot and, therefore, represents a capital asset, while filling pot holes in the lot is a repair.

Debt

- The principal amount of all loans payable is to be recorded as a liability and reported on the balance sheets. Principal payments are to be recorded to the notes payable account.

501.3 Financial Statements

The following standard reports can be generated in the ParishSOFT Accounting system. These reports were designed to meet the end-of-month parish financial reporting requirements:

1. Statement of Activities by Category and Cost Center – this report summarizes income statement activity by Category headings and Cost Center sub-headings. This is a high-level report showing the activity of each cost center. The standard column headings are:

- a) Current Month Actual
- b) Year-to-Date Actual (from July of the current fiscal year thru the current accounting month)
- c) Annual Budget
- d) Annual Budget Balance (variance of the annual budget from the YTD actual. Positive numbers are favorable variances, while numbers in brackets are unfavorable)
- e) Year-to-Date as a % of Annual Budget (shown as a number - % sign is missing)

2. Statement of Activities by Account (all Cost Centers Combined) – this report summarizes income statement activity by natural account classification (e.g. all office supplies in one line, regardless of the cost center). The standard column headings are:

- a) Current Month Actual
- b) Year-to-Date Actual (from July of the current fiscal year thru the current accounting month)
- c) Annual Budget
- d) Annual Budget Balance (variance of the annual budget from the YTD actual. Positive numbers are favorable variances, while numbers in brackets are unfavorable)
- e) Year-to-Date as a % of Annual Budget (shown as a number - % sign is missing)

3. Statement of Financial Position – This is a balance sheet listing all active main accounts. The standard column headings are:

- a) Year-to-Date Balance (this is the balance as of the last day of the current accounting month)
- b) Year-to-Date Last Year (this is the balance from the previous year, but as of the same month as the current accounting month)

4. Dedicated (Restricted) Accounts – This is a roll-forward of restricted and endowment gifts showing the balances at the beginning of the year, monthly debits and credits, year-to-date debits and credits, and the ending year-to-date balances. The standard column headings are:

- a) Beginning Balance (Balance at the beginning of the fiscal year)
- b) Month Credits (additions in the current accounting month)
- c) Month Debits (reductions in the current accounting month)
- d) YTD Credits (additions from beginning of the fiscal year through the current accounting month)
- e) YTD Debits (reductions from beginning of the fiscal year through the current accounting month)
- f) Ending Balance (balance as of the last day of the current accounting month)

5. Cost Center Statement of Activities – this report summarizes income statement activity by natural account classification for a particular cost center. The standard column headings are:

- a) Current Month Actual
- b) Year-to-Date Actual (from July of the current fiscal year thru the current accounting month)
- c) Annual Budget
- d) Annual Budget Balance (variance of the annual budget from the YTD actual. Positive numbers are favorable variances, while numbers in brackets are unfavorable)
- e) Year-to-Date as a % of Annual Budget (shown as a number - % sign is missing)

This report should be generated for all cost centers with significant activity.

502 BUDGETING

Prior to the beginning of the fiscal year a financial budget for the upcoming fiscal year is to be prepared. The finance council should participate in developing the annual budget, with input from parish commissions and department heads. The finance council should recommend the final budget for approval by the parish council and pastor. They should also participate in the communication of the annual budget to the parish community.

The budget is the plan of revenues and expenditures for the upcoming year. It is to be prepared in accordance with the chart of accounts. A line-item amount is to be budgeted for each revenue and expenditure account. During the fiscal year, the pastor and finance council should review actual revenues and expenditures against budgeted amounts on a regular basis. Any material variance should be investigated and resolved as soon as possible; unfavorable actual-to-budget variances should be addressed by implementing offsetting measures.

503 REPORTING TO THE CHANCERY

503.1 Diocesan Finance Office

Each parish is required to close its books within 30 days of each semi-annual period end (December 31 and June 30). The parish is to notify the diocesan Finance Office that the books have been closed for the semi-annual period by completing and submitting the Confirmation of Parish Semi-Annual Financial Closing form. (Appendix K).

Effective for year ended December 2013, each parish and mission is to submit a completed Internal Control Checklist signed by the pastor and the finance council members. The checklist is due January 31. It should be completed during the preceding calendar year.

Appendix K and the Internal Control Checklist can be downloaded from the diocesan website (PDF format) or from the dashboard on ParishSOFT Accounting system (Excel format). Completed forms should be forwarded to the

Diocese of Charlotte, Finance Office

Attention: Meredith Paul, CPA

1123 South Church Street

Charlotte, NC 28203

Or, the completed, signed documents can be scanned to mmpaul@rcdoc.org

503.2 Office of the Bishop

Additionally, each parish is required to send a letter to the diocesan bishop semi-annually (within 60 days of period-end) that is signed by the pastor and each finance council member (using the standard format as shown in Appendix L), containing:

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- a. The date the previous fiscal period-end financial report was made available to parishioners
- b. The date the current year budget was made available to parishioners
- c. The date(s) that interim financial statements were made available to parishioners
- d. The dates of finance council meetings
- e. Names and occupations of finance council members
- f. Copies of the most recent period-end financial statements and the current year annual budget that were presented to the parish
- g. Certification that the previous fiscal period-end report is accurate and complete to the best of members' knowledge.
- h. Certification that the Council reviews and discusses the budget and financial statements.
- i. Certification that the finance council members have read the Parish Finance Council Guidelines, acknowledge responsibility to comply and to contact the diocesan Finance Office with concerns about parish finances not being appropriately addressed.
- j. Certification that the finance council members have reviewed the most current quarterly endowment statements.

The report should be mailed within 60 days following the close of the reporting period to:

Diocese of Charlotte, Office of the Bishop
Attention: Gretchen Filz
1123 South Church Street
Charlotte, NC 28203

Or, the signed document can be scanned to gmfilz@charlottediocese.org.

504 REPORTING TO THE PARISH

A financial report is to be made to the parish council at least four times annually. In addition, a mid-year and year-end financial report is to be presented to the entire parish community. The "Report to Parishioners" is a standard report that can be automatically generated in ParishSOFT Accounting. The report was designed to meet the semi-annual reporting requirement to parishioners. This report should be made available to parishioners within 60 days after the end of each period. In addition, the annual budget is to be presented to the entire parish community within 60 days after the beginning of the fiscal year.

505 CHART OF ACCOUNTS

505.1 Introduction

The general ledger account structure consists of two segments for asset and liability accounts, as follows: x-xxxx, where the first segment represents the entity (parish or school) and the second segment represents the specific account. The account structure consists of four segments for revenue and expense accounts, as follows: x- xx-xx-xxxx. In addition, project codes may be used to record revenue and expense activity to a specific event or fundraising activity. This is an optional field that is defined by the parish.

The account segments for revenue and expense accounts consist of the following:

- 1st segment: Entity
- 2nd segment: Financial Statement Category
- 3rd segment: Ministry/Department
- 4th segment: Account
- 5th segment: Sub-Account

All general ledger accounts have a short-cut account code which is used for processing all financial transactions. The short-cut account code consists of four characters, representing the 4 digit account number, and two characters, representing the 2 digit sub-account number (account & sub account separated by a decimal point) followed by either (a) three characters, representing the 3-letter abbreviation for the ministry/department (revenue and expense accounts) or (b) one character, representing the 1-letter abbreviation for the entity (asset, liability and net asset accounts). For example, the short-cut account code for priests' compensation is 5110.00MIN (MIN is the abbreviation for the Ministry cost center). The short-cut account code for cash in the parish operating account is 1101.00P (P is the abbreviation for the Parish entity).

The following explains the account segments in further detail:

- a) Entity – The entity segment is used to group all income and expense activities into two distinct entities: (1) all parish activities, excluding the parish school, and (2) the parish school. The offsetting asset and liability are recorded to the same entity as the income/expense item. When using short-cut account codes, identifying the proper ministry/department 3-letter abbreviation automatically posts to the correct entity.
- b) Financial Statement Category – The financial statement category segment is used to group ministries and departments (cost centers) into the appropriate functional area for financial statement reporting purposes. When using short-cut account codes, identifying the proper ministry/department 3-letter abbreviation automatically posts to the correct financial statement category.

c) Ministry/Department (Cost Center) – The ministry/department (cost center) segment is used to record all income and expense activities by ministry, department or cost center. Each ministry/department will be assigned to a functional area, which will represent the categories by which all unrestricted expenses are reported on the semi-annual and annual statements of activities. The following is a listing of ministries/departments presented by financial statement category:

o) General Parish Revenue category

(1) General Parish Revenue (#00 – REV)

Credit all revenue received that does not specifically support any other cost center's activities.

i) Ministry & Liturgy Category:

(1) Liturgy (#01 - LIT)

(2) Music (#02 - MUS)

(3) Evangelization (#03 - EVA)

(4) Family Life (#04 - FAM)

(5) Stewardship (#05 - STW)

(6) Hispanic Pastoral Ministry (#06 - HSP)

(7) Religious Articles for Sale (Book Rack; Gift Shop, etc) (#07 - RAS)

(8) Hospitality Ministry (#08 – HOS)

(9) Ministry – General & Other (#09 - MIN)

Credit to these ministries/departments revenue received to fund the activities of these ministries. Charge expenditures that directly relate to these ministries. Examples of such expenses are: clergy salaries and benefits (including the cost of meals consumed at the parish rectory), clergy travel for pastoral activities, program directors' and staff salaries, taxes and benefits, materials and supplies. Indirect expenses such as facility costs, bookkeeping expenses and other general and administrative expenses are not direct program costs and, thus, should not be included.

ii) Religious Formation Category:

(1) Children Faith Formation (#11 – CFF)

(2) Youth Ministry (#12 – YTH)

(3) Young Adult Ministry (#13 – YAM)

(4) Adult Education (#14 – AED)

(5) RCIA Formation (#15 – RCI)

(6) Vacation Bible School (#16 – VBS)

(7) Faith Formation – Other (#18 – FFO)

(8) Faith Formation – General (#19 – FFG)

Credit to these ministries/departments revenue to fund Religious Formation programs. Charge expenditures that directly benefit participating students. Examples of such expenses are: educators' salaries, taxes and benefits, curriculum materials and supplies. Indirect expenses such as facility costs,

bookkeeping expenses and other general and administrative expenses do not directly benefit students and, thus, should not be included.

iii) Charity/Outreach Category:

- (1) Community Life (#21 – CLF)
- (2) Parish Nurse Program (#22 – PNP)
- (3) ESL Program (#23 – ESL)
- (4) Thrift Store (#24 – THR)
- (5) Food Ministry (#25 – FDM)
- (6) Special Needs Outreach (#26 – SPN)
- (7) Charity– Other (#28 – CHO)
- (8) Charity– General (#29 – CHR)

Credit to these ministries/departments revenue received to support charity and outreach initiatives. Charge expenditures for charitable purposes, including financial support and subsidized services to parishioners and the community (other than diocesan collections, which are recorded as custodial activities).

iv) School Subsidy Category:

- (1) School Subsidy (#30 - SSB)

Charge expenditures representing direct support of the parish school and assessments imposed by other parish and diocesan schools.

v) Preschool/Daycare Category

- (1) Preschool/Daycare (#33 - PRE)

Credit revenue received to fund the Preschool or Daycare programs. Charge expenditures that directly benefit participating students. Examples of such expenses are: educators' salaries, taxes and benefits, curriculum materials and supplies. Indirect expenses such as facility costs, bookkeeping expenses and other general and administrative expenses do not directly benefit students and, thus, should not be included.

vi) Cemetery/Columbarium Category

- (1) Cemetery (#37 - CEM)
- (2) Columbarium (#38 - COL)

Credit earned revenue correlating to the parish cemetery and/or columbarium. Charge expenditures that directly relate to the parish cemetery and columbarium.

vii) Other Parish Programs Category

- (1) Other Parish Programs– General (#49 - OPP)

Parish programs not identified above are to be included in this category. Credit revenue received to fund the activities of these ministries. Charge expenditures that directly relate to these ministries. Examples of such expenses are: program directors' and staff salaries, taxes and benefits, materials and supplies. Indirect expenses such as facility costs, bookkeeping

viii) Facilities Category

- (1) Facilities Expense – Church (#51 – FCH)
- (2) Facilities Expense – Priest Residence (#52 – FPR)
- (3) Facilities Expense – Ministry/Parish Center (#53 – FMC)
- (4) Facilities Expense – Education Building (#54 – FEB)
- (5) Facilities Expense – Convent (#55 – FCV)
- (6) Facilities Expense – Other Building (#58 – FOB)
- (7) Facilities Expense – General (#59 – FGN)

Charge to this cost center expenditures that directly relate to these facilities. Examples of such expenses are: janitorial and maintenance salaries, taxes and benefits, janitorial supplies, repairs, maintenance, insurance, utilities, and grounds maintenance. Facility costs pertaining to the parish school are to be charged to the School cost center.

ix) Diocesan Assessments Category

- (1) Diocesan Assessments (#60 - DAS)

Charge to this cost center the following diocesan assessments: the General Administrative Assessment, Catholic News and Herald, Permanent Diaconate, Presbyteral Dues, Priests Retirement Shortfall and DSA shortfall. The cost of insurance should be charged to the Facilities category and the cost of lay employee benefits should be charged to the same categories as the corresponding salaries.

x) General & Administrative Category

- (1) Communications (#61 - COM)
- (2) Finance Administration (#62 - FIN)
- (3) G & A – General (#69 - GAG)

Charge to these cost centers all general and administrative expenses, including salaries, taxes and benefits for bookkeepers and office staff. Revenue is not to be recorded to these cost centers; it should be credited to the ministry benefiting from the fundraising activity.

xi) Endowment Category (reported separately from operating activity on statement of activities)

- (1) Endowment Gains/Losses (#70 - END)

Record to this cost center investment gains and losses on endowments with the diocesan Foundation.

xii) Capital Category (reported separately from operating activity on statement of activities)

- (1) Capital Activities (#75 - CAP)

Credit to this cost center proceeds from debt reduction collections, capital campaigns and debt reduction campaigns. Charge interest expense on debt and expenses related to capital project activity.

xiii) Parish School Category

- (1) School – Gen/Instr (#80 – SCG)
- (2) School – Admin (#81 – SCA)
- (3) School – Facilities (#82 – SCF)
- (4) School – Preschool (#83 – SCP)
- (5) School – Cafeteria (#84 – SCC)
- (6) School – Before/After School Programs (#85 – SCB)
- (7) School – Summer Programs (#86 – SCS)
- (8) School – Other Programs (#87 – SCO)
- (9) School – Endowment (#88 – SCE)
- (10) School – Restricted (#89 – SCR)

Credit revenue received to fund the parish school (tuition, fees, etc.) Charge all expenditures pertaining to the school, including indirect expenses (i.e., facilities, administrative costs, etc.)

xiv) Restricted Donations Category

- (1) Restricted Donations (#90 - RST)

Credit contributions received that are restricted by the donor. [Revenue resulting from exchange transactions (i.e., tuition, fees, rent, etc.) does not represent restricted activity, as only free-will contributions constitute restricted revenue.] Charge expenditures of donor restricted gifts in accordance with donor stipulations. A restricted contribution is one given with a stipulation by the donor that the funds be spent for a more specific purpose than that which is implicit to the nature of a parish. Examples of uses which are implicit to the nature of diocesan entities are: evangelization, missionary work, religious formation, education, charity, facilities upkeep and building fund. As such, gifts given with these stipulations are not considered restricted. Examples of donor stipulations that constitute a restriction include funding for: a specific parish event, a specific parish mission trip, a scholarship program for parish school students, a specific charitable appeal, and the purchase of a statue.

When restricted donations/bequests are used to purchase fixed assets, a miscellaneous journal entry is required to debit the appropriate fixed asset account, and credit the expense account 5195: Expenditure of Restricted Donations Capitalized in the Capital Activities cost center.

When restricted endowment gifts are invested in an endowment with the Diocesan Foundation, the asset account 1140 (Endowments with the Diocesan Foundation) is charged; no entry is made to the Restricted Donations cost center.

- d) Account – The account segment is used to record all activity (assets, liabilities, revenues and expenses) by natural classification (i.e., cash, account payable, offertory income, restricted donations, salaries, taxes, supplies, repairs, etc.) using the diocesan Chart of Accounts.

Parishes may adapt the account segment to meet their particular needs by using subaccounts. Amounts posted to subaccounts will be summarized and reported using the corresponding general ledger account per the Diocesan Chart of Accounts. Subaccounts can be used to accomplish many different objectives by a single parish. The following are two examples of how subaccounts can be used:

Account	2110	Payroll Withholdings
	2110-01	Federal Income Taxes Withheld
	2110-02	Social Security Withheld
	2110-03	Medicare Withheld
	2110-04	N.C. Income Taxes Withheld
Account	2320	Custodial Obligations - Other
	2320-01	National Combined Mission Collection
	2320-02	Diocesan Seminary & Priests' Continuing Ed
	2320-03	National International/National Combined Collection
	2320-04	Diocesan Priests' Retirement and Benefits Collection
	2320-05	National World Mission Sunday Collection
	2320-06	National Campaign for Human Develop. Collection
	2320-07	National Religious Retirement Collection
	2320-11	Propagation of the Faith Collection
	2320-12	Operation Rice Bowl Collection
	2320-99	Other Custodial Obligations

The Chart of Accounts is organized by account type; the major categories of account classification are as follows (with the account structure shown in parenthesis):

BALANCE SHEET ACCOUNTS:

Assets:	(11xx) Cash & Investments
	(12xx) Other Current Assets
	(15xx) Property, Plant & Equipment
	(16xx) Accumulated Depreciation
Liabilities:	(21xx – 24xx) Current Liabilities
	(25xx) Notes Payable
	(26xx) Unearned Income
Net Assets	(3xxx)

UNRESTRICTED REVENUE & EXPENDITURE ACCOUNTS:

Receipts:	(41xx) Operating Revenue
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- 1122 CASH, SAVINGS ON DEPOSIT WITH DL CATHOLIC-DESIGNATED
Record to this account all activity in the parish savings program administered by DL Catholic, Inc. (deposits, withdrawals, interest, etc.) which is not restricted in purpose by the donor, but is designated by the parish to a particular purpose. Sub-accounts should be established corresponding to each separate diocesan savings account. A separate savings account should be established to record opening/closing fees received from cemetery or columbarium pre-need arrangements, exclusive of the portion designated for the perpetual care fund. Record transfers from this sub-account to cemetery checking as services are performed. A separate savings account should be established to record the percentage of each sale that is designated for perpetual care. When funds are needed to pay for care and maintenance, transfers are made from this sub-account to cemetery checking.
- 1123 CASH, SAVINGS ON DEPOSIT WITH DL CATHOLIC-RESTRICTED
Record to this account all activity in the parish savings program administered by DL Catholic, Inc. (deposits, withdrawals, interest, etc.) which is restricted by the donor to a particular purpose. Sub-accounts should be established corresponding to each separate diocesan savings account.
- 1125 INVESTMENTS ON DEPOSIT WITH DL CATHOLIC-GENERAL
Record to this account all activity in the parish investment program administered by DL Catholic, Inc. (deposits, withdrawals, interest, etc.) other than that which is restricted by the donor or designated by the parish to a particular purpose.
- 1126 INVESTMENTS ON DEPOSIT WITH DL CATHOLIC-DESIGNATED
Record to this account all activity in the parish investment program administered by the DL Catholic, Inc. (deposits, withdrawals, interest, etc.) which is not restricted in purpose by the donor, but is designated by the parish to a particular purpose. Sub-accounts should be established corresponding to each separate diocesan investment account.
- 1127 INVESTMENTS ON DEPOSIT WITH DL CATHOLIC-RESTRICTED
Record to this account all activity in the parish investment program administered by the DL Catholic, Inc. (deposits, withdrawals, interest, etc.) which is restricted by the donor to a particular purpose. Sub-accounts should be established corresponding to each separate diocesan investment account.
- 1130 INVESTMENTS ON DEPOSIT WITH SELF HELP CREDIT UNION
Record to this account all activity pertaining to funds on deposit with the Self Help Credit Union (deposits, withdrawals, interest, etc.).
- 1131 INVESTMENTS ON DEPOSIT WITH LATINO CREDIT UNION
Record to this account all activity pertaining to funds on deposit with the Latino Credit Union (deposits, withdrawals, interest, etc.).
- 1132 OTHER INVESTMENTS-TEMPORARY
Record to this account activity pertaining to all other funds temporarily on deposit.

1140 ENDOWMENTS WITH THE DIOCESAN FOUNDATION

Record to this account all activity pertaining to endowment funds on deposit with the Foundation of the Roman Catholic Diocese of Charlotte, Inc. (deposits, withdrawals, investment income, etc.). Sub-accounts should be established corresponding to each endowment with the diocesan Foundation.

1150 INVENTORY, FUNDRAISING

Record to this account all activity pertaining to physical inventory on hand used in generating revenue for the benefit of the parish (food certificates, etc.).

OTHER CURRENT ASSETS

1201 RECEIVABLES

Record to this account payments made that will be reimbursed to the parish, and all activity representing amounts due to the parish.

1202 PREPAID EXPENSES & DEPOSITS

Record to this account all activity pertaining to deposits and other parish expenditures made in advance of receiving the service or product.

1210 SALES TAX REFUNDABLE

Record to this account sales tax paid to vendors on purchases of tangible personal property which is eligible for refund from the state of North Carolina.

1290 OTHER ASSETS

Record to this account activity pertaining to all other current assets.

PROPERTY, PLANT & EQUIP

1510 LAND

Record to this account the acquisition and disposition of land. Acquisitions which include land and buildings should be allocated among the appropriate accounts.

1511 LAND IMPROVEMENTS

Record to this account all improvements made to property, i.e., sidewalks, pavements, etc. with a cost > \$2,500 and a useful life of more than one year; and also the disposition of those improvements when property is sold or otherwise disposed of.

1520 BUILDINGS

Record to this account the acquisition of buildings, the cost of constructing buildings and the disposition of buildings.

1521 BUILDING IMPROVEMENTS

Record to this account all improvements made to buildings with a cost of > \$2,500 and a useful life of more than one year; and also the disposition of those improvements when the building is sold or otherwise disposed of. Included as building improvements are improvements to operating systems which are an integral part of the building, i.e., HVAC, electrical,

plumbing, etc. Building repairs and repairs to building operating systems should be expensed.

1530 VEHICLES

Record to this account the acquisition and disposition of vehicles.

1540 EQUIPMENT

Record to this account the acquisition of all equipment (office machines, computers, lawn equipment, etc.) with a cost of >\$2,500 and a useful life of more than one year; and also the disposition of these items.

1550 FURNISHINGS

Record to this account the acquisition of all furniture and other furnishings with a cost of >\$2,500 and a useful life of more than one year; and also the disposition of these items.

1611 ACCUMULATED DEPRECIATION – LAND IMPROVEMENTS

Record to this account accumulated depreciation on land improvements.

1620 ACCUMULATED DEPRECIATION – BUILDINGS

Record to this account accumulated depreciation on buildings.

1621 ACCUMULATED DEPRECIATION – BUILDING IMPROVEMENTS

Record to this account accumulated depreciation on building improvements.

1630 ACCUMULATED DEPRECIATION – VEHICLES

Record to this account accumulated depreciation on vehicles.

1640 ACCUMULATED DEPRECIATION – EQUIPMENT

Record to this account accumulated depreciation on equipment.

1650 ACCUMULATED DEPRECIATION – FURNISHINGS

Record to this account accumulated depreciation on furniture and other furnishings.

LIABILITIES

CURRENT LIABILITIES

2100 ACCOUNTS PAYABLE

Record to this account all unpaid invoices for services or products received.

2102 CREDIT CARD PAYABLE

Record to this account all credit card charges as they are incurred. Debit this account after all charges have been reconciled to the credit card statement at the time of payment. The following are the standard subaccounts for this account:

- 1 Credit Card Payable – General
- 2 Credit Card Payable – Alpha
- 3 Credit Card Payable – Beta
- 4 Credit Card Payable – Gamma
- 5 Credit Card Payable – Delta

2105 SALES TAX PAYABLE

Record to this account sales tax charged on the sale of tangible personal property which is to be remitted to the state of North Carolina.

- 2107 USE TAX PAYABLE
Record to this account the amount calculated as use tax on purchases of tangible personal property from out of state vendors which is to be remitted to the state of North Carolina.
- 2110 PAYROLL WITHHOLDINGS
Record to this account all unremitted taxes and deductions withheld from employee payroll. Standard subaccounts have been established to correspond to each payroll deduction.
- 2120 ACCRUED EXPENSES PAYABLE
Record to this account all liabilities incurred for services or products received for which an invoice has not been processed.
- 2210 ACCRUED SALARIES, TAXES & BENEFITS
Record to this account salaries, taxes and benefits owed and unpaid at the end of the fiscal period.
- 2220 ACCRUED PAYROLL—12 MONTH TEACHERS
Record to this account salaries, taxes and benefits earned by teachers, but unpaid due to their election to be paid over the school year and following summer.
- 2310 CUSTODIAL OBLIGATIONS—MASS INTENTIONS
Record to this account receipts for Mass intentions which are to be remitted to the priest upon fulfillment of the obligation.
- 2320 CUSTODIAL OBLIGATIONS—OTHER
Record to this account receipts over which the parish has no discretion as to their use, including national and diocesan collections. The following are the standard subaccounts for this account:
- 1 National Combined Mission Collection
 - 2 Diocesan Seminary & Priests' Continuing Ed
 - 3 National International/National Combined Collection
 - 4 Diocesan Priests' Retirement and Benefits Collection
 - 5 National World Mission Sunday Collection
 - 6 National Campaign for Human Development Collection
 - 7 National Religious Retirement Collection
 - 11 Propagation of the Faith Collection
 - 12 Operation Rice Bowl Collection
 - 13 DSA Due the Diocese
 - 99 Other Custodial Obligations
- 2400 OTHER CURRENT LIABILITIES
Record to this account activity pertaining to all other current liabilities.
- NOTES PAYABLE & LONG-TERM LIABILITIES
- 2510 NOTES PAYABLE—DL CATHOLIC, INC.
Record to this account proceeds received from indebtedness in the form of a note payable to DL Catholic, Inc., and also record the repayment of the principal amount owing on this indebtedness.

2520 NOTES PAYABLE-DIOCESE

Record to this account proceeds received from indebtedness in the form of a note payable to the Diocese, and also record the repayment of the principal amount owing on this indebtedness.

2540 NOTES PAYABLE-BANK

Record to this account the proceeds received from indebtedness in the form of a note payable to the Bank, and also record the repayment of the principal amount owing on this indebtedness.

2610 UNEARNED INCOME - CEMETERY PRE-NEED SALES

Record to this account funds received for Cemetery Pre-Need sales for which the services will be rendered in a future fiscal period.

2620 UNEARNED COLUMBARIUM INCOME

Record to this account funds received for Columbarium sales for which the services will be rendered in a future fiscal period.

2630 UNEARNED TUITION INCOME

Record to this account funds received for tuition and fees for which the services will be rendered in a future fiscal period.

2640 UNEARNED INCOME-OTHER

Record to this account funds received for other services to be rendered in a future period.

NET ASSETS

3000 NET ASSETS

Represents the net asset amount as of the beginning of the fiscal year. No activity is recorded to this account until the end of the fiscal year. A year-end adjustment to record the net surplus or loss is automatically recorded when the fiscal year is closed out.

REVENUE

4101 OFFERTORY

Credit to this account receipts from regular offerings given during the celebration of weekday, regular Sunday, and Holy Day Masses. These receipts shall include envelope and loose money collected at the time Mass is celebrated, those receipts that are sent through the mail, or dropped off at the rectory, offerings made by children (not withstanding where collected), and those given monthly, quarterly, and annually by parishioners in lieu of their weekly offering. The offering may be in the form of checks, currency, real property, stocks, etc.

Offertory includes receipts from collections for specific purposes if the purpose is part of the regular operations of the parish. Examples of such include collections for facilities maintenance, operating deficits, and flowers. Such collections should be recorded to a sub-account of offertory (4101).

Offertory income will not include collections which are taken for the following: national collections, seminary collections, building funds, and endowment donations.

- 4102 SACRAMENTAL OFFERINGS
Credit to this account receipts from special religious ceremonies, such as baptisms, weddings, etc.
- 4103 CHARITY RECEIPTS
Record to this account the proceeds from special collections and donations received to be used specifically for charitable purposes. This account is only available for charity cost center.
- 4105 DONATIONS, GENERAL
Credit to this account donations received which are not restricted to a particular purpose (as defined below), other than bequests and in-kind gifts.
- 4106 DONATIONS, IN-KIND
Credit to this account non-monetary donations received at fair market value.
- 4107 DSA REBATE
Credit to this account the rebate received from the annual Diocesan Support Appeal.
- 4115 BEQUESTS, UNRESTRICTED
Credit to this account estate gifts received that are not restricted as to a particular purpose.
- 4121 SUBSIDIES, DIOCESAN
Credit to this account the proceeds from subsidies provided by the Diocese.
- 4122 SUBSIDIES, NON-DIOCESAN
Credit to this account the proceeds from subsidies provided by sources other than the Diocese, such as religious communities, other parishes, etc.
- 4131 POOR BOX RECEIPTS
Credit to this account the donations received from direct appeals for the benefit of the poor.
- 4132 VOTIVE LAMP OFFERINGS
Credit to this account donations received to defray the cost of votive lamps *and* charge expenditures related to providing votive lamps.
- 4141 FUNDRAISING ACTIVITY REVENUE
Credit to this account proceeds from fundraising activities, i.e., bake sales, etc. Unique project codes should be established for each fundraising activity.
- 4142 FUNDRAISING ACTIVITY EXPENSE (*A contra-revenue account*)
Charge to this account expenditures associated with fundraising activities, i.e., bake sales, etc. Unique project codes should be established for each fundraising activity. As an alternative to using this account, expenditures may be charged to the applicable expense account, i.e., postage to mail announcements of the fundraiser may be charged to Postage, and the applicable project code.
- 4145 TUITION AND FEES – PARISH SCHOOL
Credit to this account tuition and fees charged for the Parish School, other than the capital fee.
- 4146 CAPITAL FEES – PARISH SCHOOL
Credit to this account capital fees charged for the Parish School.

- 4147 TUITION ASSISTANCE (*A contra revenue account*)
Charge to this account the reduction in tuition and fee income resulting from financial aid and scholarship awards.
- 4148 PARISH SUPPORT OF SCHOOL
Record to this account amounts received from the parish to support the parish school, including funds for tuition assistance.
- 4150 FEES-RELIGIOUS FORMATION
Credit to this account fees received to cover the cost of faith formation and other religious formation classes, programs and materials.
- 4151 TUITION AND FEES - PRESCHOOL
Credit to this account tuition and fees received for the preschool program.
- 4152 FEES-DAYCARE
Credit to this account fees received to cover the cost of day care programs.
- 4154 CEMETERY FEE INCOME
Credit to this account revenues received for the sales of cemetery plots to be used in the current fiscal period. In addition, reclassify income from account 2545: Unearned Income – Cemetery Pre-Need Sales to this account when services are rendered.
- 4155 CEMETERY PERPETUAL CARE INCOME
Credit to this account perpetual care revenues pertaining to the current fiscal period. In addition, reclassify income from account 2545: Unearned Income – Cemetery Pre-Need Sales pertaining to perpetual care when service are rendered.
- 4156 COLUMBARIUM INCOME EARNED
Credit to this account revenues received for sales of Columbariums to be used in the current fiscal period. In addition, reclassify income from account 2550: Unearned Columbarium Income to this account when services are rendered.
- 4157 PARISH EVENTS/PROGRAMS INCOME
Credit to this account revenue received that is earmarked to cover the cost of specific parish events/programs other than religious formation, daycare and preschool programs. Unique project codes should be established for each parish event.
- 4158 PRODUCT SALES INCOME
Credit to this account proceeds from products and merchandise sold *and* charge expenditures related to purchasing the products or merchandise as well as other selling expenses. Unique subaccounts should be established for each sales activity.
- 4160 RENTAL INCOME
Credit to this account proceeds received from the rental of facilities and/or equipment.
- 4170 INTEREST INCOME
Credit to this account interest earned on checking, savings and investment accounts.

4190 GAIN/LOSS ON DISPOSITION OF ASSETS

Credit to this account the difference between the selling price of an asset and the net book value of the asset (historical cost less accumulated depreciation).

4199 OTHER INCOME

Credit all other general parish income received to this account.

4200 CAPITAL/FACILITIES FUND

Credit to this account contributions received from capital campaigns or contributions received for specific capital projects which have been identified and planned.

4202 DEBT REDUCTION COLLECTION

Credit to this account the proceeds from collections earmarked for debt reduction.

4210 FFHL REVENUE

Credit to this account funds received from the Diocesan Capital Campaign Forward in Faith, Hope and Love.

4300 GAIN/LOSS ON ENDOWMENTS

Credit/charge to this account gains and losses on endowments with the diocesan foundation.

RESTRICTED:

8000 DONATIONS, RESTRICTED

A unique account code (8000, in conjunction with a subaccount) is to be established for each restricted donation received. The account is to be titled with the name of the donor, followed by the purpose of the gift. For example, if the Smith family gave a donation that is restricted to purchase a statue of St. Joseph, the account would be titled: Smith/Statue of St. Joseph. Credit to these accounts contributions that are restricted by the donor. [Revenue resulting from exchange transactions (i.e., tuition, fees, rent, etc.) does not represent restricted activity, as only free-will contributions constitute restricted revenue.] A restricted contribution is one given with a stipulation by the donor that the funds be spent for a more specific purpose than that which is implicit to the nature of a parish. Examples of uses which are implicit to the nature of diocesan entities are: evangelization, missionary work, religious formation, education, charity, facilities upkeep and building fund. As such, gifts given with these stipulations are not considered restricted. Examples of donor stipulations that constitute a restriction include funding for: a specific parish event, a specific parish mission trip, a scholarship program for parish school students, a specific charitable appeal, and the purchase of a statue.

9800 DONATIONS, ENDOWMENT GIFTS

A unique account code (starting with 9800, in conjunction with a subaccount) is to be established for each donation received that is restricted by the donor to an endowment. The account is to be titled with the name of the donor, followed by the purpose for which the investment income on the endowment is to be used. For example, if Mr. Smith made a provision in his will to create an endowment, with the investment income to be used for general parish purposes, the account would be titled: Smith/Endowment for general parish purposes. Credit to these accounts gifts received that are restricted by the donor to an endowment.

EXPENDITURES

Personnel-

5110 PRIESTS COMPENSATION

Charge to this account the amount of gross compensation associated with regular or resident Priests. Compensation includes the Diocesan approved automobile allowance.

5111 PRIESTS HEALTH INS. & MEDICAL EXPENSES

Charge to this account expenditures for Priests medical insurance and any expenses incurred by the parish to reimburse priests for the deductible portion of medical expenses.

5113 PRIEST 403(b) EXPENSE

Charge to this account the 403(b) employer matching expense on behalf of all Priests enrolled in the program.

5114 PRIEST BOARD

Charge to this account food and household items purchased for use in the priest's residence. (Facility costs relating to the priest's residence should be charged to accounts 5130 to 5146.)

5115 EXTRA CLERGY COMPENSATION

Charge to this account the cost of extra clergy for additional assistance provided to the resident Priests.

5118 RELIGIOUS SRS & BRS COMPENSATION

Charge to this account the amount of gross compensation associated with Religious Sisters and Brothers. Compensation includes the Diocesan approved automobile allowance when the Congregation is providing the vehicle.

(Payment for Religious Sisters and Brothers is to be made to the Order or Community.)

5119 RELIGIOUS SRS & BRS HEALTH INS. & MEDICAL EXPENSES

Charge to this account expenditures for Religious Sisters and Brothers medical insurance.

5120 RELIGIOUS SRS & BRS BOARD

Charge to this account the cost of providing housing for Religious Sisters and Brothers. (Facility costs relating to parish convents should be charged to accounts 5130 to 5146.)

- 5123 SALARIES—DEACONS/LAYEMPLOYEES
Charge to this account the gross amount of salaries for Deacons and lay employees (full-time, permanent part-time and temporary).
- 5124 PAYROLL TAXES—DEACONS/LAYEMPLOYEES
Charge to this account the employer's portion of FICA for Deacons and lay employees.
- 5125 HEALTH INSURANCE—DEACONS/LAYEMPLOYEES
Charge to this account the premium for group health insurance for full-time Deacons and lay employees.
- 5126 LIFE INSURANCE—DEACONS/LAYEMPLOYEES
Charge to this account the premium for group life insurance for full-time Deacons and lay employees.
- 5127 RETIREMENT PROGRAM—DEACONS/LAYEMPLOYEES
Charge to this account the cost of funding lay benefit assessments. Also charge to this account 403(b) employer matching expense on behalf of Deacons and lay employees.

Facilities-

- 5130 DEPRECIATION
Charge to this account depreciation expense on land improvements, buildings, building improvements, vehicles, equipment and furnishings.
- 5133 EQUIPMENT & FURNISHINGS
Charge to this account expenditures for the purchase of equipment, furniture and furnishings, other than computers, and office equipment and furniture (which are not capitalized, i.e. <\$2,500 or with a useful life of less than 1 year).
- 5134 EQUIPMENT REPAIRS & SERVICING
Charge to this account expenditures to repair and maintain equipment, furniture and furnishings, other than computers, copiers and postage meters. This includes maintenance agreements in which a vendor services equipment on a regularly scheduled basis.
- 5135 EQUIPMENT RENT
Charge to this account expenditures for the rental of equipment, other than copiers and postage meters.
- 5137 BLDG REPAIRS, MAINTENANCE & IMPROVEMENTS
Charge to this account expenditures to repair and maintain buildings. This includes operating systems which are an integral part of the building, i.e., HVAC, electrical, plumbing, etc. Also charge to this account building improvements which are not capitalized.
- 5138 JANITORIAL SERVICES & SUPPLIES
Charge to this account expenditures for janitorial services and janitorial supplies, including trash removal services.
- 5139 GROUNDS MAINTENANCE
Charge to this account expenditures to maintain the grounds, including grass cutting, landscaping, repairs to parking lots, sidewalks, etc. A sub account may be used to separately record snow removal expense.

- 5140 PROPERTY/LIABILITY INSURANCE
Charge to this account payments made for property, liability and workers' compensation insurance. Also charge payments made to pay non-covered claims and claims payments that fall within the policy deductible.
- 5141 PROPERTY TAXES
Charge to this account property tax payments to the city and county for property which does not qualify as tax-exempt.
- 5142 BUILDING RENT
Charge to this account expenditures for the rent or lease of facilities.
- 5143 ELECTRICITY
Charge to this account payments made for electricity.
- 5144 HEAT
Charge to this account payments made for gas or heating oil.
- 5145 WATER & SEWER
Charge to this account payments made for water and sewer services.
- 5146 TELEPHONE/INTERNET/CABLE TV
Charge to this account payments made for telephone service, internet access and cable TV. This includes installation charges, fax service and long distance telephone calls.

General-

- 5147 PARISH EVENTS/PROGRAMS
Charge to this account the cost of events/programs sponsored by the parish. Unique project codes should be established for each parish event. As an alternative to using this account, expenditures may be charged to the applicable expense account, i.e., postage to mail announcements of the event may be charged to Postage, and the applicable project code.
- 5148 PROGRAM SUPPLIES
Charge to this account the cost of materials and supplies for parish ministries/programs (other than office supplies and curriculum materials).
- 5149 CURRICULUM/INSTRUCTIONAL EXPENSES
Charge to this account the cost of curriculum and other instructional expenses related to Religious Formation and Preschool programs, and the Parish School.
- 5150 VEHICLE LEASE & MAINTENANCE EXPENSE
Charge to this account expenditures to lease, repair, and maintain vehicles, including gasoline, tires, etc.
- 5151 MILEAGE REIMBURSEMENT
Charge to this account mileage reimbursement paid to priests and lay personnel for use of personal vehicles on parish business at the Diocesan approved rate per mile.
- 5152 TRAVEL & MEAL EXPENSE
Charge to this account expenditures relating to travel (other than mileage reimbursement), i.e., transportation, lodging, etc. and meals while on parish business.

- 5153 PROFESSIONAL SERVICES
Charge to this account expenditures for professional services, i.e., accountingservices, computerconsultants, legal, etc.
- 5154 RELIGIOUS SUPPLIES
Charge to this account expenditures for sanctuary supplies, altar bread and wine, chalices, ciborium, vestments, missalettes, hymnals, choir expense, candles, etc.
- 5155 COLLECTION ENVELOPES
Charge to this account expenditures for parish collection envelopes.
- 5156 OFFICE SUPPLIES
Charge to this account expenditures for the purchase of stationery, printing, toner cartridges and general office supplies.
- 5157 POSTAGE
Charge to this account expenditures for the purchase of postage, rental and usage charges for postage meters, express mail and delivery services.
- 5158 COPYING
Charge to this account expenditures for the purchase of copy paper, toner and other copy supplies, and rental and usage charges for photocopiers.
- 5159 COMMUNICATION
Charge to this account expenditures relating to print and other medium communication materials.
- 5160 FINANCIAL PROCESSING FEES
Charge to this account expenditures for bank service charges, returned check fees, other service related charges from the bank, as well as payroll fees, credit card fees, and other financial service related fees.
- 5165 SMALL OFFICE EQUIPMENT AND FURNITURE
Charge to this account expenditures for office equipment and furniture (other than computers, printers and related items) which are not capitalized, (i.e. <\$2,500 or with a useful life of less than 1 year).
- 5166 COMPUTERS AND PERIPHERAL EQUIPMENT
Charge to this account expenditures for computers, printers and peripheral equipment which are not capitalized, (i.e. <\$2,500 or with a useful life of less than 1 year). Also, charge to this account expenditures to repair and maintain computers, printers and peripheral equipment, including maintenance agreements in which a vendor services computer equipment on a regularly scheduled basis.
- 5168 STIPENDS
Charge to this account stipend expenses incurred by the parish, school, or agency.
- 5170 PROFESSIONAL DEVELOPMENT
Charge to this account expenditures for programs, seminars, conferences, etc. that will enhance the professional development of parish priests and staff.
- 5171 BOOKS, PERIODICALS, & SUBSCRIPTIONS
Charge to this account expenditures for the purchase of books, magazines, and newspapers.

5174 TRAFFIC CONTROL

Charge to this account expenditures to maintain traffic order in conjunction with parish services or events.

5190 INTEREST EXPENSE

Charge to this account interest expense on all parish debt.

5195 EXPENDITURE OF RESTRICTED DONATIONS CAPITALIZED

When restricted donations are used to purchase fixed assets, a miscellaneous journal entry is required to credit this account (in the Capital Activities (CAP-75) cost center) and debit the appropriate fixed asset account.

5199 MISCELLANEOUS

Charge all other general parish expenditures to this account.

Charity, School Support and Diocesan Assessments--

5201 CHARITY

Charge to this account payments made to assist the poor, indigent, and otherwise needy.

5210 SCHOOL SUBSIDY – PARISH SCHOOL

Charge to this account direct support of the parish school, including repairs and maintenance of school facilities paid by the parish.

5211 SCHOOL SUBSIDY – CATHOLIC SCHOOLS

Charge to this account subsidies to Catholic Schools other than the parish school.

5311 CATHOLIC NEWS HERALD

Charge to this account the cost for the Diocesan newspaper, and credit with donations received specifically for this purpose.

5312 DIOCESAN ADMINISTRATIVE ASSESSMENT

Charge to this account payments relating to the Diocesan Administrative Assessment.

5313 DIOCESAN SUPPORT APPEAL SHORTFALL

Charge to this account assessments to the Diocesan Support Appeal.

5314 PRIEST RETIREMENT COLLECTION SHORTFALL

Charge to this account any shortfall between the amount collected and the amount assessed for clergy retirement.

5315 PRESBYTERAL DUES

Charge to this account dues paid to the Presbyteral Council.

5316 PERMANENT DIACONATE ASSESSMENT

Charge to this account the assessment in support of the diocesan Office of the Permanent Diaconate.

5319 CATHOLIC SCHOOLS OFFICE ASSESSMENT

Charge to this account the assessment in support of the diocesan Catholic Schools Office.

RESTRICTED:

8000 RESTRICTED DONATIONS

Charge expenditures of donor restricted gifts in accordance with donor stipulations to the unique account established when the particular gift was received.

When restricted donations are used to purchase fixed assets, a miscellaneous journal entry is required to debit the appropriate fixed asset account, and credit the expense account 5195: Expenditure of Restricted Donations Capitalized in the Capital Activities cost center.

506 PARISH FINANCIAL REVIEWS

The diocesan finance office periodically performs financial reviews of diocesan entities.

506.1 Review Objectives

1. To determine whether parish accounting procedures provide reasonable assurance that parish liquid assets have been properly safeguarded.
2. To determine whether parish accounting procedures provide reasonable assurance that its' financial activities have been properly recorded and summarized, and reported to its' parishioners and the Diocese.
3. To determine whether parish accounting procedures provide reasonable assurance that the parish is complying with all civil and diocesan regulations.

506.2 Review Process

The financial review process consists of evaluating and testing the parish accounting procedures and internal controls to determine whether the controls are adequate to meet the above objectives and whether they are operating effectively. This manual contains the financial policies of the diocese and the financial procedures to which all diocesan parishes and missions must adhere.

506.3 Review Results

As a result of the financial review process, weaknesses in accounting procedures and internal controls will be identified, and a report containing recommendations to improve these procedures and controls issued to the pastor.

506.4 Diocesan Review Staff and Accounting Support Team

The Diocese will provide an administrative staff member to conduct financial reviews at parishes, missions, and schools. In addition, the diocese will provide support for training and for the continuing education of parish financial staff, and for serving the pastor and his councils as accounting and technical support. Support is available to parishes and missions through the Diocesan Finance Office.

507 FINANCIAL RECORDS RETENTION

Adoption of USCCB Records Retention Schedule for Financial Documents

The United States Conference of Catholic Bishops (USCCB) has issued records retention guidelines for use by Catholic Dioceses in the United States. All parishes, schools and agencies of the diocese are to follow these guidelines for all financial records. The records retention schedule for financial documents is included as Appendix A of this manual. The complete record retention guidelines issued by the USCCB are available at: <http://www.usccb.org/bishops/dfi/retention.htm>.

508 COMPUTER SECURITY

All diocesan entities are to implement the use of usernames and passwords to safeguard access to data files. Only those employees and volunteers authorized to access data programs should have usernames and passwords. Each person's username and password should be unique to that person. Usernames and passwords should not be shared among employees and/or volunteers.

509 GENERAL ADMINISTRATIVE ASSESSMENT

All parishes and missions of the Diocese of Charlotte are subject to an annual assessment imposed by the Bishop. This assessment is known as the General Administrative Assessment (GAA). The GAA funds the administrative activities of the Diocese (all non-DSA funded departments and activities). There are numerous parish services provided by the administrative departments of the diocese, most of which parishes would have to provide on their own. Centralizing these services creates economies of scale which result in lower costs on a per-entity basis. It also allows for subject matter experts to be hired, which would be difficult, if not impossible, for most parishes. Some of these services are:

1. Legal advice: Assistance with general legal matters, contract review, real estate transactions, dispute resolution, etc.
2. Administration of employee benefit programs.
3. Guidance in the form of personnel policies, compliance with labor laws, etc.
4. Canonical services for parishes and parishioners including advocacy, petitions of nullity, and other requests for assistance with matters of canon law.
5. Guidance and support in the area of pastoral planning.
6. Development of parish stewardship efforts.
7. Development of parish capital campaigns.
8. Development of planned giving programs for parishioners.
9. Guidance in the form of financial policies, compliance with accounting standards and tax laws.

10. Support, assistance, and training in bookkeeping matters.
11. Financial audits of parishes and schools.
12. Processing of stock gifts and other nonmonetary gifts.
13. Guidance and support on construction and renovation projects.
14. Guidance and support on property maintenance matters.

The fiscal year assessment is based on parish financial information for the previous calendar year. The assessment base on which the assessment is determined is as follows:

- Offertory
- Plus: Unrestricted donations
- Less: 50% of school subsidies

The assessment amount is computed by applying the rates shown below to each tier of the assessment base shown to the left of the rate.

Assessment Base	Rate
< 50,000	3.50%
50,001 – 150,000	5.50%
150,001 – 250,000	7.50%
250,001 – 500,000	8.50%
500,001 – 1,000,000	9.50%
1,000,001 – 2,500,000	10.50%
> 2,500,000	11.50%

CATHOLIC SCHOOLS

The previous sections of this manual apply to all schools in the Diocese of Charlotte (except for those activities that do not apply to schools). All schools are required to comply with the policies, procedures, and internal controls contained therein. This section addresses those financial policies, procedures and internal controls that are unique to schools and school related organizations, to which adherence is required by the Diocese.

601 REVENUES AND RELATED ACTIVITIES UNIQUE TO SCHOOLS

601.1 Tuition and Fees

Tuition and related fees are the primary source of school income. The following procedures and controls should be in place:

- All payments should be directed to the central office for processing.
- A standard receipt should be issued for all cash payments. The receipt should be issued from a receipt book containing pre-numbered receipt forms and duplicate receipts. The duplicate receipt should be kept in the book.
- All checks received should be immediately endorsed "For deposit only", followed by the bank account number.
- A daily count sheet/deposit summary should be prepared listing all payments and totaling payments by revenue type/account.
- All cash and checks received should be stored in a locked receptacle prior to depositing at the bank.
- Bank deposits should be made on at least a weekly basis, with significant amounts deposited on the day received.
- The amount of the bank deposit receipt should be compared to the count sheet/deposit summary.
- The school or MACS Business Office should maintain a tuition and fees accounts receivable subsidiary ledger. The ledger should contain the following information for each student family:
 - Family number
 - Family name
 - Student name(s)
 - Family address
 - Total tuition and fees due for the year
 - Frequency of payments (monthly, quarterly, semi-annually, annually)
 - Date and amounts of all payments received
- Before making the deposit, payments should be posted to the accounts receivable subsidiary ledger.
- An accounts receivable batch report should be printed, and the total reconciled to the count sheet or deposit summary. Any discrepancy should be investigated and resolved immediately.

- The duties of receiving tuition and fees, and that of recording them in the tuition accounts receivable subsidiary ledger must be performed by different people.
- The count sheet/deposit summary, copy of the accounts receivable batch report, and deposit receipt should be stapled together and filed.
- A statement should be sent to any family who is delinquent after the 10th day of each month. The person responsible for generating and mailing the statements must not be the person who receives and processes the payments. The principal and pastor should be informed of all delinquent families monthly.
- The accounts receivable subsidiary ledger should be reconciled to the general ledger account balance monthly by someone independent of the aforementioned duties.
- Any material discrepancy or dispute over amounts owed by parents that cannot be resolved should be reported to the diocesan finance office as soon as possible.
- The pastor, principal, or school board/finance council should review actual vs. budget Statements of Revenues and Expenses on a monthly basis.
- A member of the school board/finance council, selected by the pastor, or diocesan controller (for MACS) should review the tuition accounts receivable subsidiary ledger on a monthly basis.

601.2 Receipts Collected in the Classroom

Students may tender payments for various activities or items such as field trips, year-books, dress-down day etc. to a staff member in the classroom. The following procedures and controls are to be in place over those funds. An exception may be made for collections among staff members that are not school sponsored and, also, for de Minimis amounts collected (<\$25.00).

- All receipts of monies collected in the classroom are to be recorded on a remittance sheet Appendix Z. The remittance sheet is to list the following information:
 - Name of student
 - Form of payment (cash/check)
 - Purpose of payment
 - Amount of payment

If the students remit funds in a sealed envelope, it is not necessary to open and count the funds in the classroom. It is sufficient to identify the family and stipulate that funds were received in a sealed envelope on the remittance sheet. When all receipts for the day have been recorded, all loose funds are to be counted by **three** unrelated people in total. This could mean two people count the funds in the classroom and an administrative staff member or designated volunteer verifies the deposit total, once received in the office (see below). This is to be done as early as possible in the day so the funds are removed from the classroom in a timely manner.

- The remittance sheet is to be totaled; the total is to be recorded on the remittance sheet and compared to the total count of loose funds. The two should match. The counters are to make a notation that the cash count agreed to the total of the payments recorded on the remittance sheet and sign and date the remittance sheet.
- The funds are to be placed in a **serially numbered tamper-evident bag**. The amount of loose funds is to be documented on the bag or envelope, and the person documenting the amount should sign and date next to the amount.

- If the funds are in a [serially numbered tamper evident bag](#), they may be transported to the office by two people.
- Funds are to be transported to the school office as soon as possible to eliminate the risk of misdirection, purposely or accidentally.
- At the office, the funds are to be given directly to a staff member or designated volunteer. They are never to be left unattended either at a staff member's desk or mail slot.
- Funds received at the office are to be counted, compared to the remittance sheet and entered onto a daily cash receipts log in the presence of the person tendering the receipts. Alternatively, the [serially numbered tamper evident bag](#) could be retained intact to be counted at a later time. In that event, the amount documented on the remittance sheet is to be entered on the daily cash receipts log and documented as listed below (omitting the fourth bullet point). The [serially numbered tamper evident bag](#) is to be placed in the office safe immediately.
- The cash receipts log is to document the following:
 - The classroom from which the funds were collected.
 - The name of the person or persons delivering the funds.
 - The amount as documented on the remittance sheet.
 - The amount as counted by the office staff person or designated volunteer.
 - Signature of the person receiving the funds and the person delivering the funds denoting their agreement with the amounts recorded.
- The person receiving the funds at the office is to be someone other than the person responsible for making the deposit or recording the receipts in the accounting system.
- The remittance sheets are to be attached to the daily cash receipts log and forwarded to the person responsible for making the deposit. Any discrepancy in the amounts is to be investigated.
- The bank deposit verification ticket is to be returned to the office and the amount deposited verified with the amount(s) shown on the cash receipts log.

601.3 Cafeteria

Schools use various means of collecting receipts for lunch. Some ask students to pay weekly or monthly in advance; some sell coupon books; some accept cash in the cafeteria. No matter what method, or combination of methods is used, the following procedures and controls should be in place:

- All checks received should be immediately endorsed “For deposit only”, followed by the bank account number.
- A count sheet listing all payments received should be prepared.
- All cash and checks received should be stored in a locked receptacle prior to depositing at the bank.
- Bank deposits should be made on at least a weekly basis, with significant amounts deposited on the day received.
- The amount of the bank deposit receipt should be compared to the count sheet.
- The dollar value of lunches served should be reconciled to the amount of lunch receipts received on the same frequency as lunch revenues are received. If items are sold at different prices, the total of each item sold should be recorded on a daily basis. Any discrepancy in this reconciliation should be investigated and resolved by the principal as soon as possible.
- The duties of receiving lunch money and reconciling the dollar value of lunches served to the amount of lunch receipts received must be performed by different people.
- The count sheet reconciliation and deposit receipt should be stapled together and filed.
- Any material discrepancy that cannot be resolved should be reported to the diocesan finance office as soon as possible.
- The pastor, principal, school board/finance council, or MACS Cafeteria Coordinator should review actual vs. budget Statements of Revenues and Expenses on a monthly basis to identify any variances in cafeteria revenues and expenses.

601.4 After School Care Programs

The director of after school care programs usually accepts payments from parents on a weekly basis. The following procedures and controls should be in place:

- A log should be kept by the director of the names of all children participating on a daily basis. The director and his/her assistant must both sign the log after all names are listed. The log should be turned in to the central office weekly.
- A standard receipt should be issued for all cash payments. The receipt should be issued from a receipt book containing pre-numbered receipt forms and duplicate receipts. The duplicate receipt should be kept in the book.
- All checks received should be immediately endorsed "For deposit only", followed by the bank account number.
- A count sheet listing all payments received should be prepared.
- All cash and checks received should be stored in a locked receptacle prior to depositing at the bank.
- Bank deposits should be made on at least a weekly basis, with significant amounts deposited on the day received.
- The amount of the bank deposit receipt should be compared to the count sheet.
- The log of children in attendance should be used to indicate the applicable fee and the actual amount remitted. The total amount remitted per the log should be agreed to the bank deposit amount. The duties of receiving After School Care receipts and reconciling the amount remitted per the log to the bank deposit must be performed by different people.
- A statement should be sent to any family who is delinquent after the 10th day of each month. The person responsible for preparing and mailing the delinquent notices must not be the person who receives and processes the payments. The principal or MACS Business Office should be notified of all delinquent families monthly.
- The attendance log containing the billing and remittance amounts, and the deposit receipt should be stapled together and filed.
- Any material discrepancy that cannot be resolved should be reported to the diocesan finance office as soon as possible.
- The pastor, principal, school board/finance council, or MACS Afterschool Coordinator, should review actual vs. budget Statements of Revenue and Expenses on a monthly basis to identify any variances in After School Care activity.

601.5 Clubs, Bands, and Teams

School clubs, bands, and teams raise funds through a variety of activities each year. Usually those funds are spent for trips, seminars, equipment, apparel, or some other endeavor in support of the associated activity. Revenues are usually directed to the faculty advisor responsible for the club, band, or team. That member usually submits those funds to the schools office. The following procedures and controls should be in place:

- A standard receipt should be issued for all cash payments in excess of \$100.00. The receipt should be issued from a receipt book containing pre-numbered receipt forms and duplicate receipts. The duplicate receipt should be kept in the book.
- All checks received should be immediately endorsed "For deposit only", followed by the bank account number.
- A count sheet listing all payments received should be prepared. The count sheet should be signed by the faculty advisor and a member of the office staff.
- All cash and checks received should be stored in a locked receptacle prior to depositing at the bank.
- Bank deposits should be made on at least a weekly basis, with significant amounts deposited on the day received.
- The amount of the deposit receipt should be compared to the count sheet.
- The count sheet and deposit receipt should be stapled together and filed.
- Faculty advisors and club treasurers should receive monthly reports of all financial activity for their club, band, or team.
- Any discrepancy noted by faculty advisors or treasurers should be investigated and resolved as soon as possible.
- Any material discrepancy that cannot be resolved should be reported to the diocesan finance office as soon as possible.
- The pastor, principal or school board/finance council should review this category of accounts on a monthly basis.

601.6 Athletic Events

Athletic associations are formed to support school athletic programs. Usually the school athletic association is responsible for receiving, counting, and depositing receipts from athletic events. No matter which group is responsible for this process, the following procedures and controls should be in place:

- Pre-numbered tickets or annual passes should be required for admission to all events. Different colored tickets should be used for different ticket prices (red for children, yellow for adults, etc.).
- The central office is responsible for maintaining the ticket and pass inventory. A log should be maintained denoting the first and last ticket and pass numbers issued by category for each athletic event and the person(s) responsible for the tickets. All unused tickets or passes should be returned to the office.
- All checks received should be immediately endorsed "For deposit only", followed by the bank account number.

- A count sheet listing all payments received should be prepared. The count sheet should be signed by the faculty advisor and a member of the office staff.
- All cash and checks received should be stored in a locked receptacle prior to depositing at the bank.
- Bank deposits should be made on at least a weekly basis, with significant amounts deposited on the day received.
- The amount of the bank deposit receipt should be compared to the count sheet.
- The school office should perform a reconciliation of the number of tickets and passes sold by category to the amount of revenues received for each athletic event. Any discrepancy in the reconciliation should be investigated and resolved by the principal as soon as possible.
- The duties of receiving athletic event fees and reconciling the dollar value of tickets sold to the amount of revenue received must be performed by different people.
- The reconciliation for each event, count sheet and deposit receipt should be stapled together and filed.
- Any material discrepancy that cannot be resolved should be reported to the diocesan Finance office as soon as possible.
- The pastor, principal, or school board/finance council should review athletic event accounts on a monthly basis.

602 ELIBILITY REQUIREMENTS FOR REDUCED CATHOLIC SCHOOL TUITION

Catholic schools may charge a higher rate of tuition for non-participating Catholics and non-Catholics than they do for participating Catholics. Eligibility for the “participating” Catholic rate is determined by the student’s pastor/pastoral administrator. In determining eligibility, the student and/or the student’s family must:

- Be baptized as a Catholic,
- Be registered in the parish, and
- Attend Mass regularly.

Additionally, consideration may also be given to the family’s commitment of time and talent to the parish. Personal involvement in the parish is a responsibility and expectation of every parishioner who is able to do so, especially those parishioners who are parents of children attending Catholic schools. If individual parishes require that the parents of children attending Catholic schools participate in parish activities in addition to regular attendance at Mass, these expectations are to be clearly communicated by the pastor/pastoral administrator to the parents.

However, the amount of financial support provided to the parish is not to be considered in determining eligibility for the “participating” Catholic rate. There are significant tax implications when the level of parishioner contributions is linked to tuition reductions/benefits. As such, it is the policy of the Diocese of Charlotte that the amount of financial support provided the parish **not** be a factor in determining eligibility for the “participating” Catholic rate.

603 REDUCED TUITION FOR SCHOOL EMPLOYEES

As provided by Section 117(d) of the Internal Revenue Code, a school may offer a tuition discount to employees of the school, for their dependent children attending the school, on a tax-free basis. As such, schools do not have to treat the amount of the discount as taxable income to the employee.

It is important to note that the exclusion applies **only** if the tuition reduction benefits are available on substantially the same basis to each member of a group of employees.

The Internal Revenue Service has issued specific guidelines regarding discounts for employees of parishes who have an associated school. The guidelines state that excludable qualified tuition discounts cannot be extended to parish employees who are not employed within the context of the school function. As such, only school-related employees are eligible to receive an employee tuition discount on a tax-free basis.

Tuition discounts are taxable if they represent payment for services rendered to the school.

604 FINANCIAL AID AWARDS

604.1 Selection Process

Funding for financial aid awards is from a variety of sources, including parish and diocesan grants, the school operating budget, endowment distributions, third-party donations, etc. As a means of determining awards on objective criteria and ensuring proper documentation, all schools are to use an independent firm to objectively determine each family's financial need based on a standard methodology consistently applied.

A committee should be established to consider requests for financial assistance. The committee should consist of no less than three persons, which may include the Pastor, principal, guidance counselors, school board members and other administrative staff. When reviewing information from the independent firm determining need, the names should be blacked-out and replaced with numbers, so the families' identify is not known to the committee members.

A standard methodology for awarding aid should be established and followed consistently. The process should be based on the determination of need by the independent firm. One example is to determine award amounts by applying a consistent percentage to the need amount, i.e., each family receives 74% of the need amount as determined by the independent firm. The percentage is determined by dividing total funds available by total need. All funding sources (parish and diocesan grants, the school operating budget, endowment distributions, third-party donations, etc.) should be aggregated for purposes of determining total funds available for distribution.

Other methodologies are acceptable as long as they are applied consistently to all applicants. The basis for determining financial aid award amounts should be documented and retained on file.

If it is known that a family has been awarded third party financial aid that is not reflected in the financial information provided to the independent firm, (such as the Opportunity Scholarship Award), an adjustment should be made to reduce the need amount accordingly.

If a family comes forth with other relevant circumstances affecting their financial condition, the committee should consider making an appropriate adjustment to the need amount. All adjustments to need should be documented, signed and dated by all committee members and retained in the student's file.

The school may provide an appeals process by which a family may appeal the original award amount and request a higher amount. Appeals should be accompanied by information from the family that was not considered during the initial award process, such as loss of a job, pay reduction, illness, etc. The committee may use their judgment in awarding or denying additional financial aid. The appeal and the committee's determination should be documented, signed and dated by all committee members and retained in the student's file.

604.2 Funded and Unfunded Aid

Funded financial aid is typically not sufficient to meet the needs of all students with a verified need for tuition assistance. There may be families that have the ability to pay 50% or more of the tuition, but do not enroll due to the lack of financial aid to cover the balance due. In these circumstances and subject to classroom capacity constraints, schools may consider providing unfunded financial aid.

By providing unfunded financial aid to families who can pay 50% or more of the tuition, the school generates incremental income and positive cash flow by the amount of tuition and fees the family can pay (assuming there are no incremental costs associated with accepting the family). Additionally, Catholic education serves as an impactful and immersive evangelical experience for all students and their families and it is, therefore, within the mission and interest of our schools to serve as many students as possible. As such, schools that do not have sufficient financial aid funds to meet the determined amount of financial need, and have excess capacity, may consider awarding unfunded financial aid based on the following guidelines.

1. The maximum amount of unfunded financial aid to be awarded per school year is 2.5% of total tuition and funded financial aid for the year. Example: Total tuition to be collected is expected to be \$1,400,000 and the total amount of funded financial aid to be distributed is expected to be \$150,000. The maximum amount of unfunded financial aid to be awarded is \$38,750 $((\$1,400,000 + \$150,000) \times 2.5\%)$.
2. The application process for unfunded financial aid is be the exact same process as for awarding funded financial aid. Families must apply for financial aid through the 3rd party vendor used by the school, and go through the same process that is used to award “funded” financial aid.
3. The amount to be awarded by student is to be determined using the same methodology as for funded financial aid. Example: If the school policy stipulates that students receive 80% of the determined “need” for funded financial aid, no more than 80% of “need” can be awarded for unfunded financial aid.
4. Families receiving unfunded financial aid must be able to cover 50% of the total tuition and fees (not 50% of need, but 50% of actual tuition and fees), from family resources and/or through 3rd party scholarship programs (i.e. Opportunity Scholarship, Disabilities Scholarship, Children’s Scholarship fund, etc.).
5. Awards must consider classroom capacity by leaving available seats for potential full-pay students. There must be 5% of the grade-level capacity available after awarding unfunded financial aid. Example: If the 4th grade capacity is 60 students (two 4th grades at 30 students each), there must be 3 $(60 \times 5\%)$ seats remaining for potential full-pay students. Fractions should be rounded, as follows: 0.5 and up – round up to the nearest whole number; below 0.5 – round down to the nearest whole number.

604.3 Non-Tuition Financial Assistance

Tuition assistance funds typically do not cover all a family's costs to attend Catholic school. Other non-tuition costs include activity or graduation fees, field trips and cafeteria fees. Meeting these costs may pose a hardship for some families. To prevent a student from not participating in an activity due to lack of funds, the principal may consider a request for financial aid to cover one or more of a family's non-tuition costs. Funds for this program may be provided from donations, by the PTO and/or from commissions received on vending, cafeteria, etc.

Requests for amounts of \$50 or less can be reviewed and approved by the principal. If approved, Diocesan procedures should be followed for the disbursement of funds. Checks can be issued after receipt of a properly approved check request form. The check request form should include:

- Payee,
- Date of the expenditure,
- Amount,
- Purpose of the expenditure,
- Reason for the expenditure (loss of employment, illness, disability, death or other),
- Receipts to substantiate expenses, if relevant.

The check request should be signed and dated by the principal.

The principal should establish a committee of 3 persons to consider requests for non-tuition financial assistance of more than \$50. The committee should consist of the principal and two other members of the school faculty. The committee shall investigate the request for funds and decide to grant or deny assistance. The due diligence required to make this determination is as follows:

1. Obtain information as to whether the family applied for tuition assistance and the percentage of assistance received (if any). For MACS schools, this information is available from the MACS Business Office.
2. If tuition assistance was awarded, the committee may decide to provide non-tuition financial assistance up to the same percentage that tuition assistance was awarded.
3. If tuition assistance was not awarded or if the committee is considering awarding more than the percentage of tuition assistance awarded, the committee should investigate whether there was an adverse change in the family's circumstances since the application period for tuition financial assistance (i.e., loss of a job, pay reduction, illness, etc.). If there is, the committee may use their judgment as to the percentage of award to issue.
4. If the family did not receive tuition assistance and there has been no adverse change in the family's circumstances, no assistance should be given to cover non-tuition costs.

The due diligence process should be documented on the Request for Assistance with Non-tuition Costs form. ([Appendix W](#))

If approved, Diocesan procedures should be followed for the disbursement of funds. Checks can be issued after receipt of a properly approved check request form. The completed and signed Request for Assistance with Non-tuition Costs form should be stapled to and filed with the check request form.

604.4 Recording Financial Aid Awards

Tuition and Fees should be recorded at full cost. A contra revenue account “Tuition Assistance” should be established, and financial aid awards should be recorded to the contra revenue account. For example: if a family is awarded \$1,000 in financial aid and the full tuition is cost is \$5,000, the tuition should be recorded as follows:

1201.21S	Tuition Receivable	\$4,000	
4147.00XXX	Tuition Assistance	\$1,000	
4145.00XXX	Tuition and Fees		\$5,000

604.5 Taxibility of Financial Aid Awards

As a general rule, qualified scholarship income is excluded from gross income of the recipient, if certain conditions are met, as follows:

- The income must be used in payment of tuition and fees required for enrollment at the school and/or for payment of books, supplies or equipment required for courses.
- The scholarship must be awarded on the basis of an established selection process based on objective criteria. As such, it is important that financial aid programs be made available to all qualifying students and that the basis for qualification and selection be documented.

605 BANK ACCOUNTS/PRINCIPAL'S DISCRETIONARY FUNDS

Schools are generally allowed one checking account with Wells Fargo Bank. The pastor and the principal are the local authorized signers for parish schools. All checks over \$5,000 require the signature of both the pastor and the principal. All future orders of check stock must say: Two signatures required for amounts over \$5,000.

The principal and the assistant principals are the only local authorized signers for diocesan and regional schools.

Internal Control Procedures:

1. Cash is never to be issued to an individual or organization (other than petty cash). Monetary gifts should be issued in the form of a check or gift card.
2. Checks are not to be made payable to cash.
3. Facsimile signatures are never to be used.
4. Blank checks are never to be signed.
5. Positive Pay is to be utilized or Bank statements are to contain facsimile copies of checks.
6. Debit cards are never to be activated/used.
7. Checks should be pre-numbered and used consecutively.
8. The stock of unused checks is to be stored in a locked receptacle and is to be regularly inventoried.
9. A log of check usage should be maintained. The log should contain the following information:
 - Date of activity
 - Check numbers of checks removed from stock
 - Check numbers of checks returned to stock (if any)
 - Check number of checks used and/or checks voided
 - Signature / initials of person removing checks
 - Signature / initials of person approving issue of checks (when appropriate).The person signing the checks should compare the beginning number of each check run with the last number from the previous check run for sequence of numbers. They should compare the check numbers on the log with the actual numbers of checks being used. Refer to Appendix O for a sample check log.
10. Checks are only to be issued upon receipt of a properly approved original vendor invoice or a properly approved expense report or check request.
11. Replacement checks are not to be issued unless someone independent of the check processing function has verified that a stop payment was placed on the original check, and that it has been voided in the accounts payable system.
12. An individual not involved in cash activities is to open and review the bank statements immediately upon receipt. The review should include a comparison of signatures on the checks or facsimile copies of checks for authenticity, or, if the school uses positive pay, the review should include a comparison of check numbers to those listed on the check usage log (which was previously signed when checks were presented for signature) to ensure that no check numbers were presented for payment that were outside the range

of check numbers issued per the check usage log.

13. Bank reconciliations should be prepared monthly, as soon as the bank statement is received. The bank reconciliation should be signed and dated by the person who performed the reconciliation. A designated individual who is independent of cash and checking activities should review checking account activity, bank statements and reconciliations monthly. The individual reviewing the reconciliation should sign and date the bank reconciliation indicating a satisfactory review of the information.
14. Regional schools are to use their account only for local emergencies, for school club and team activities, and to deposit commissions earned from sources such as vending and yearbook sales and for expenditures of those earnings. Commission funds received can be expended for school related purposes at the principals' discretion up to \$1,000. Expenditures exceeding \$1,000 are to be approved in advance by the Superintendent of Schools. All such expenditures are to be compliant with all diocesan policies and procedures. In addition to the internal control procedures outlined above, the following guidelines pertain to these accounts:
15. Reimbursements for emergency disbursements are to be submitted to the central office for reimbursement within ten days of the disbursement.
16. Payments to individuals or unincorporated entities for services rendered cannot be issued from the account.
17. Employee or volunteer advances cannot be issued from the account.
18. All deposits of commissions and expenditures of those earnings must be recorded such that these activities are separately maintained.
19. All deposits and expenditures relating to school club and team activities must be recorded such that activity pertaining to each club and team is separately maintained. Financial reports showing each club's and each team's receipts and expenditures are to be issued to the advisor/coach at least quarterly.
20. All cash and checks received that do not pertain to club or team activities, or represent commission earnings should be sent to the central office for deposit.
21. Authorized signers may never sign a check payable to themselves or to a family member or related party.

All proposed changes to the school checking account must be processed through the diocesan finance office, including opening and closing accounts, and adding or deleting authorized signatures.

Schools may receive contributions earmarked by the donor for use at the discretion of the principal. These funds must be deposited in the school checking account for parish schools, or the account at the central office for regional schools. All activities concerning these funds must be recorded on the school general ledger. This may be accomplished by the use of a specific general ledger account for these activities, which should be budgeted and included on all financial statements submitted to the pastor, principal, school board/finance council, and the Catholic Schools Office.

606 SCHOOL AUXILIARY ORGANIZATIONS: PROCEDURES AND CONTROLS

606.1 Definition

These policies apply to all school auxiliary associations. School auxiliary associations are those organizations sponsored by the school that qualify as tax-exempt by virtue of the school's tax-exempt status and/or use of the school taxpayer identification number for purposes of establishing a bank account. Examples of these organizations are:

- PTO
- Athletic Association
- Booster Club
- Alumni Association

Each school auxiliary association should have a clearly defined purpose that is consistent with the mission of the school. All fundraising activities should be consistent with the principal purpose of the association.

606.2 Specific Internal Control Procedures

In addition to the following rules specific to these associations, they must adhere to all financial policies and civil regulations put forth in this manual.

Internal Control Procedures:

1. Each organization may have one checking account at a local bank approved by the pastor (or principal in a regional or diocesan school). If additional accounts are needed, approval is to be obtained from the diocesan finance office. The organizations' bank accounts are to be opened in the name of the school, with a second line containing the name of the organization. The address listed is to be the school address.
2. Cash is never to be issued to an individual or organization (other than petty cash). Monetary gifts should be issued in the form of a check or gift card.
3. Authorized signatures should be limited to two officers and the pastor (or principal in a regional or diocesan school). Only authorized signers may sign checks.
4. One signature is required on checks written for less than \$250.00. Two signatures are required on checks written for \$250.00 or more. The pastor (or principal in a regional or diocesan school) must be one of the signatories on any check written for \$1,000 or more. All future orders for check stock must provide lines for two signatures and must be printed with the following above the signature lines: "Two signatures required for amounts \$250.00 and above."
5. Authorized signers may never sign a check payable to themselves or to a family member or related party.
6. Checks are not to be made payable to cash.
7. Facsimile signatures are never to be used.
8. Blank checks are never to be signed.
9. If the organization does not utilize positive pay banking feature, facsimile copies of checks are to be included in the bank statements
10. Debit cards are never to be activated/used.

11. Checks should be pre-numbered and used consecutively.
12. The stock of unused checks is to be stored in a locked receptacle and is to be regularly inventoried.
13. A log of check usage should be maintained. The log should contain the following information:
 - Date of activity
 - Check numbers of checks removed from stock
 - Check numbers of checks returned to stock (if any)
 - Check number of checks used and/or checks voided
 - Signature / initials of person removing checks
 - Signature / initials of person approving issue of checks (when appropriate).

The person signing the checks should compare the beginning number of each check run with the last number from the previous check run for sequence of numbers. They should compare the check numbers on the log with the actual numbers of checks being used. Refer to Appendix O for a sample check log.

14. Checks are only to be issued upon receipt of a properly approved original vendor invoice or a properly approved expense report or check request. The approving party for vendor invoices, expense reports and check requests must be an authorized individual other than the check signer.
15. Payments to individuals or unincorporated entities for services rendered cannot be issued from the account.
16. Replacement checks are not to be issued unless someone independent of the check processing function has verified that a stop payment was placed on the original check, and that it has been voided in the accounts payable system.
17. The principal (or his/her designee – someone not involved in the cash activities of the auxiliary association) is to open and review the bank statements before they are forwarded to an officer of the organization. The review should include a comparison of signatures on the checks or facsimile copies of checks for authenticity, or, if the group uses positive pay, the review should include a comparison of check numbers to those listed on the check usage log (which was previously signed when checks were presented for signature) to ensure that no check numbers were presented for payment that were outside the range of check numbers issued per the check usage log.
18. Bank reconciliations should be prepared monthly, as soon as the bank statement is received. The bank reconciliation should be signed and dated by the person who performed the reconciliation. At least quarterly, a designated member of the organization who is independent of cash and checking activities should review the bank statements and reconciliations. The officer reviewing the reconciliation should sign and date the bank reconciliation indicating a satisfactory review of the information.
19. Contributions received by the parish or school on behalf of auxiliary organizations should be counted by the parish or school, following the same internal control procedures used for all other receipts.

606.3 Auxiliary Organization Funding of School Expenses

Certain expenditures that are funded (in whole or part) by an auxiliary organization are to be paid by the school office or, in the case of MACS, the MACS Accounting Office. The auxiliary association is to issue a check to the school/MACS for the amount they are funding prior to the invoice being paid by the school or MACS Accounting Office. These expenditures are as follows:

- 1 Purchases of furniture, fixtures, or equipment for school use.
- 2 Improvements to school facilities and grounds
- 3 All expenditures that involve the diocesan Properties and IT Departments
- 4 All MACS expenditures for which an Expenditure Authorization is required.

606.4 Reporting Requirements

A financial statement should be prepared on at least a quarterly basis. The statement should include all revenues and expenses, and reconcile all activity to beginning and ending cash balances. It should be sent to the pastor (or principal in a regional school) for review within 30 days of each quarter-end. In addition, the financial statement, bank reconciliation and bank statement, should be presented at the organization's meetings and made available to all constituents. A sample reporting form is included in this manual as [Appendix M](#).

606.5 Sales and Use Taxes

As noted in Section 207, Sales Taxes, auxiliary organizations are not exempt from paying N.C. sales and use taxes on purchases of tangible personal property. These organizations may apply for a refund of taxes paid through their associated diocesan entity every six months. Sales of tangible personal property by these organizations are subject to the same sales tax provisions as all diocesan entities (see Section 207).

606.6 Use Taxes On Purchases from Vendors who do not Collect Sales Tax

Purchases made by a school or associated auxiliary organization from a vendor who does not charge or remit sales taxes to the State are taxable to the school or organization. The entity must separately identify those purchases and the taxes to be paid thereon. If the school does not already have a sales tax remittance number, it must register for one. Auxiliary organizations may remit these taxes to the State through their associated diocesan entity. These taxes are available for refund from the State every six months.

606.7 Acknowledgements

The organization should follow the procedures outlined in Section 105.4 for acknowledging charitable donations. In addition, the organization should be mindful, and advise donors, that contributions received for purposes other than that which are consistent with the mission of the organization are not tax deductible. An example of such is a donation to a collection used to purchase gifts for teachers or coaches.

606.8 Payments for Services Rendered

Auxiliary organizations fall under IRS regulations concerning payments to individuals for services rendered. Such payments are subject to IRS reporting requirements. Refer to Sections 301 and 303 for detailed information. Examples of such include payments to referees, traffic officers and child-minders.

To facilitate complete and accurate reporting for tax purposes, auxiliary organizations should not issue checks directly to individuals in payment for services rendered. Instead, at parish schools, the auxiliary organization is to issue a check for the amount of the payment to the Church for deposit into the general operating account. The Church is to issue the check to the individual for payment of services rendered on behalf of the auxiliary organization. The Church is to maintain records on collective payments to individuals from all groups that operate under the umbrella of the Church.

At regional schools, the auxiliary organization is to issue a check to MACS for the amount of the payment. The organization is to submit an approved check request to MACS business office stating the purpose of the reimbursement. MACS business office will maintain records on collective payments to individuals from all groups that operate under the umbrella of the school.

607 EXCISE TAXES ON TELECOMMUNICATION SERVICES

All diocesan schools qualify for an exemption from paying federal excise taxes on telecommunication services. This exemption applies only to *federal* excise tax and not to N.C. taxes. The state specifically prohibits refunds of N.C. taxes for telecommunications services. Furthermore, the exemption applies only to schools, and not to parish telecommunications service or to phone lines that are shared between the parish and the school. In order to take advantage of the federal exemption, it is necessary for you to:

- 1) Contact your service provider to request a Form 6318-FED, Certificate of Continuing Exemption from Federal Excise Tax on Telecommunications Services. Upon receipt:
 - a) Complete section F of the form (Nonprofit educational organization, including schools operated as an activity of a religious body) by checking item #2 (A non-profit school who maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance).
 - b) List all account numbers that qualify for exemption in the section requesting this information.
 - c) Sign and date the form.
- 2) Contact the diocesan finance office to request a copy of the current diocesan IRS determination letter, identifying your school name and address exactly as it appears on the telephone company invoice.
- 3) Send the completed form 6318-FED and the IRS determination letter to your telecommunication service provider.

The exemption is accomplished by the elimination of federal excise taxes from future phone and Internet provider bills.

608 USE OF SCHOOL PROPERTY BY OUTSIDE GROUPS

All use of parish or school property must be evaluated to determine whether or not it is parish or school sponsored. There are different responsibilities for the administration depending on whether the use is or is not parish or school sponsored. Whenever parish or school property is used for activities that are not sponsored by the parish or school, the individual or organization using the facility is required to purchase, or provide evidence of, insurance. Please refer to the *Diocese of Charlotte Safety and Loss Prevention Manual*, Section V, pages 5-1 through 5-12 for the following:

- The criteria for determining whether an activity is parish or school sponsored;
- The administration's responsibilities for both sponsored and non-sponsored activities, and
- The insurance requirements for non-sponsored activities.

Section 112 addresses rental of space in Church/School facilities and outlines the criteria that must be satisfied in order to rent facility space.

609 ACCOUNTING POLICIES UNIQUE TO SCHOOLS

609.1 Revenue Recognition

Schools normally receive advance tuition and fee payments prior to the beginning of the current school fiscal year. Those receipts require special accounting treatment to insure that they are recognized and recorded in the proper fiscal period. They should be credited as liabilities in the fiscal period received. Once the new fiscal year has begun, revenues recorded as liabilities in the prior period should be credited to their proper income accounts, with corresponding debits made to the liability accounts. Examples of these transactions are as follows:

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<u>To record deposit in period received</u>			
June 1,20xx	1101.xxSCash	55,788.00	
June 1,20xx	2630.xxS Unearned Tuition Income		52,788.00
June 1,20xx	2640.xxS Unearned Income-Other		3,000.00
<u>To record and recognize revenue in the proper fiscal year</u>			
July 1,20xx	2630.xxS Unearned Tuition Income	52,788.00	
July 1,20xx	2640.xxS Unearned Income-Other	3,000.00	
July 1,20xx	4145.xxSCG Tuition and Fees		55,788.00

609.2 Expense Recognition

Schools normally incur some expenses in a current fiscal year that belong to the following fiscal year. These expenses include prepayment for books, instructional material, deposits for upcoming trips, etc. Examples of these transactions are as follows:

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<u>To record prepayments in period made</u>			
June 1,20xx	1202.xxS Prepaid Expenses and Deposits	27,500.00	
June 1,20xx	1101.xxSCash		27,500.00
<u>To record and recognize expense in the proper fiscal year</u>			
July 1,20xx	5149.xxSCG Curriculum/Instructional Expenses	22,000.00	
July 1,20xx	5147.xxSCG Events/Programs	5,500.00	
July 1,20xx	1202.xxS Prepaid Expenses and Deposits		27,500.00

In addition, some expenses are paid after the start of the new fiscal year that properly belong to the prior fiscal period, including teacher's salaries. Examples of these transactions are as follows:

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<u>To record and recognize expense in proper fiscal year</u>			
June 1,20xx	5123.xxSCG Teachers' Salary Expense	49,500.00	
June 1,20xx	2220.xxS Accrued Salaries Liability		49,500.00
<u>To reverse expense accrual in following fiscal year</u>			
July 1,20xx	2220.xxS Accrued Salaries Liability	49,500.00	
July 1,20xx	5123.xxSCG Teachers' Salary Expense		49,500.00

610 SCHOOL FINANCIAL REPORTING REQUIREMENTS

All non-regionalized schools must submit the following financial reports to the Catholic Schools Office:

<u>Report</u>	<u>Due On Or Before</u>
Proposed Budget	May15 th
Revised Budget (for 4 th Friday count)	September30 th
Fourth Friday Count	Within 7 working days after Fourth Friday

In addition, the school is to notify the diocesan Finance Office that the books have been closed for the semi-annual period by completing and submitting the Confirmation of Parish Semi-Annual Financial Closing Form (Appendix K) within 30 days of June 30 and December31.

Prior to the beginning of the fiscal year a financial budget for the upcoming fiscal year is to be prepared. The budget is the plan of revenues and expenditures for the upcoming year. It is to be prepared in accordance with the chart of accounts. In other words, an amount is to be budgeted for each revenue and expenditure account.

School auxiliary organization report dates are included in Section 606.3.