

## **SECTION 102**

### **Parish Finance Council**

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**Parish Finance Council****PURPOSE OF FINANCE COUNCIL**102.1

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The Church recognizes the extent of the responsibility that goes with the fiscal management of the various operations that constitute the business of a parish. It also recognizes that fiscal management is not the primary focus of most Pastor's education and formation. For this reason, the Church has made provision in Canon Law for every parish to maintain a Finance Council to assist the Pastor in his duties of administering the temporal goods of his parish.

Canon 532 describes the Pastor as the authoritative representative of the parish. The Pastor is the chief administrator and legal representative of the parish's goods.

The Parish Finance Council is a consultative body of lay persons established to advise the Pastor in matters pertaining to the financial affairs of the parish.

Canon 537 provides that... "Each parish is required to have a Finance Council which is regulated by universal law as well as by norms issued by the Diocesan Bishop; in this council the Christian faithful, selected according to the same norms, aid the Pastor in the administration of the parish goods with due regard for the prescription of Canon 532."

Finance Councils fulfill two purposes. The first is to provide a means by which the Pastor receives expert help in caring for the temporal goods of the parish. The second is that it fosters a climate of openness and participation. A well-utilized Finance Council is significant in ensuring the adherence to responsible financial policies and avoidance of illegal practices. By fulfilling these two purposes, the Finance Council assures that the parish's temporal resources are properly maintained and utilized. As a result, the parish community may stay focused on its primary mission, which is the building of the Kingdom of God.

The 1983 Code of Canon Law establishes Finance Councils to assist the Pastor in planning, coordinating, guiding and directing of all aspects of parish life (Canon 537). It is also the policy of the Diocese of Sacramento that Pastoral Councils be established in each parish. While the two councils are separate and each has a different and specific role in the life and operation of the parish, they must work together for the good of the parish.

For the purpose of good planning, cooperation and accountability, it is recommended that a person chosen to be on the Finance Council act as liaison between the two councils and provide the Pastoral Council regular and timely reports (at least twice a year) on the financial status of the parish and the work activity of the Parish Finance Council.

In fulfilling its responsibilities the Parish Finance Council must be directed by the values of the Gospel as well as by good business practices. Efficient and effective use and management of parish resources must be measured as much by their contribution to parish mission and ministry as by commonly accepted business standards.

## **MEMBERSHIP**

1. The Parish Finance Council is composed of not less than three and no more than five reputable and practicing Catholic members of the parish who are knowledgeable and skilled in financial matters, who have some management expertise and are known for their prudent judgment. Membership shall be by appointment of the Pastor who may consult with the Pastoral Council in making appointments to the Parish Finance Council.
2. Membership cannot include anyone who could have a conflict of interest from such affiliation nor can any close relative of the Pastor or Parochial Vicar be a member, nor should a married couple both be members, nor a spouse or close relative of parish or school staff be a member.
3. Neither Deacons nor parish employees may serve on the Council. They may, however, assist the Council in a staff capacity. For example, the parish bookkeeper cannot be a member of the Council, however, his/her attendance as a resource person at Council meetings may be helpful and at times required.

## **TERMS OF OFFICE**

1. Members are appointed for a minimum of three years and a maximum of five years.
2. Terms should be staggered.
3. When a pastorate is vacant, all activity of the current Finance Council ceases until a new Pastor or administrator is appointed.

## **OFFICERS**

1. The Pastor of the parish is the President of the Parish Finance Council. He presides over the meeting and receives the Council's proposals.
2. A Pastor may appoint a Chairperson. The Chairperson assists the Pastor in coordinating the work of the Council, in preparing for meetings and in implementing those proposals of the Council that have been accepted and ratified by the Pastor. The Chairperson performs other tasks as may be delegated, including, if the Pastor so desires, chairing and conducting the regular meetings of the Council. The Chairperson is appointed for a term of one year and may be re-appointed.

## **MEETINGS**

1. The Parish Finance Council should meet monthly or as determined by the Pastor, but at least four times a year, i.e. during each financial quarter.
2. The Pastor ensures that minutes of each meeting be recorded. These minutes are forwarded to the Pastor for his approval and possible distribution to the other members of the committee. Consideration may be given to providing a copy of the minutes to the Parish Council and principal of the school, if one exists in the parish. In lieu of this, a report to these various groups and persons will ensure that the parish's financial matters are transparent, i.e., the financial affairs of the parish community are open and communicated to the parish.

**COMPETENCE**

The Pastor has authority from the Bishop and the universal law of the Church to decide and act on behalf of the parish (Canon 532). The Parish Finance Council is advisory to the Pastor and its decisions/recommendations are valid only when accepted and ratified by the Pastor. It is important, therefore, that the Pastor be central to the deliberations and the functioning of the Parish Finance Council. The relationship between the Council and the Pastor is supportive and by no means adversarial.

In order for the Parish Finance Council to fulfill its mission it needs access to fiscal information for its deliberations such as parish financial accounts and records. Such information is received and given in a spirit of confidentiality and prudence.

If the Pastor, in good conscience, feels he cannot accept the recommendations of the Council, it is best to fully and frankly communicate his reservations to the Council's membership.

**ROLE OF THE COUNCIL**

The Pastor shall consult with the parish finance council concerning any major commitment of parish or school resources in excess of \$15,000 before permission is requested of the Bishop.

1. To ensure that an annual budget is properly prepared, i.e. ministries, religious education programs and schools are to be included in the formation of the parish budget; and the Pastoral Council and Finance Council are to be in agreement that the budget is designed to meet the Pastoral Plan for the parish's short and long term goals. Since in many cases the school is the major component of the parish budget it should be reviewed in detail, approved and recommended to the pastor for final approval. The school budget must be approved by April 30. The parish budget's first draft is to be prepared by March 31 and the final version of the budget must be approved by the Parish Finance Council and the Pastor by May 31.
2. The implementation of Diocesan accounting policies described in the Parish Financial Management Handbook located at [www.diocese-sacramento.org](http://www.diocese-sacramento.org).
3. To ensure that the submission of the Annual Financial Report for each fiscal year (July 1-June 30) is prepared and submitted to the Diocese of Sacramento Finance Office by August 31 each year.
4. Provides consultation concerning any commitment of parish or school resources in excess of \$15,000.
5. To ensure that excess parish funds are deposited in The Parochial Fund, Inc., i.e. the "parish bank" for the Diocese of Sacramento. Excess funds are those monies that exceed two months operational needs.
6. To evaluate and to make recommendations regarding the needs and the effectiveness of the parish's support through the Sunday Offertory and other fund raising activities of the parish and school.
7. To develop short and long-term plans for the financing of necessary repairs, renovations and purchases.
8. To provide the Pastoral Council with periodic reports (at least twice a year) on the financial status of the parish.
9. To meet all requirements of federal and state tax laws and maintain an accurate record of payment.

10. The Pastor shall consult with the parish finance council concerning any major commitment of parish resources in excess of \$15,000 before permission is requested of the Bishop.
11. Ensure that donations of cars, bequests, gifts, especially those with restricted purposes that are received by the parish, are administered in accordance with the donor's wishes. Such gifts are to be processed in a timely manner, including written correspondence to donors which provides the parish tax identification number. A permanent file of such gifts is also maintained.
12. Where appropriate, develop a Project Funding Loan Repayment Plan for major parish construction or acquisition projects. This plan would be prepared in consultation with Diocesan Chief Financial Officer who assists the parish to meet its goal in this type of project.
13. In addition to the duties outlined above, it may sometimes be appropriate for the Finance Council to assume loss control responsibilities for the parish. Loss control awareness is intended to help protect parish assets and resources from costly losses and increased insurance premiums resulting from those losses. By establishing a safety-conscious awareness in and around parish buildings, the parish will protect staff and parishioners from accidents resulting from carelessness or simple oversight of safety issues. A Parish Buildings and Maintenance Committee may also be a benefit in developing this awareness and actually perform many of the needed safety tasks through volunteers in the parish who have experience in various trades. Their skills and resources are an asset in keeping parish grounds/buildings safe and in good repair.
14. Assist in ensuring that an adequate system of internal control is in place at the parish, including assistance in the implementation of recommendations made via Parish Financial Operations Reviews.

## **CONFIDENTIALITY**

According to Canon 127, all whose consent or counsel is required are obliged to offer their opinion sincerely and, if the seriousness of the matter requires it, to observe confidentiality. The Pastor can insist upon this obligation.

## **Summary**

- The Finance Council is an important part of the parish community
- Advises the Pastor on parish financial affairs
- Helps with budgeting and financial reports to the diocese
- Provides consultation concerning any commitment of parish resources in excess of \$15,000
- Helps with reports to the parish community
- Meets at least quarterly and keeps minutes of meetings
- Maintains professional confidentiality

102.8

## **SECTION 103**

### **Annual Operating Budget**

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**Annual Operating Budget****PURPOSE**103.1

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A budget is a systematic approach to parish finances which realistically estimates income, efficiently controls expenditures, and helps the parish to focus on ways in which to improve parish stewardship. The budget is the financial plan of action for the parish.

All parishes and parish organizations are required each year to develop an annual operating budget to help guide and monitor their financial operations during the ensuing fiscal year. Developing an operating budget requires little more than formalizing the parish's defined pastoral objectives in the form of a financial budget. This budget forecasts receipts and expenditures for the fiscal year beginning July 1. The annual budget is prepared by the Pastor in conjunction with the Parish Finance Council. It is appropriate during the budget formation process for the Pastor and Finance Council to consult with and obtain input from parish financial staff and department/ministry directors or coordinators. For example, each ministry/department prepares a preliminary budget for its area and forwards this to the Pastor for his approval. These department budgets are then used to prepare the final parish budget. If a parish has an elementary school, the parish budget includes the subsidy to the school's budget in the preparation of the parish budget. When based on the Annual Pastoral Plan of the parish and prepared with proper input, the annual operating budget can be an invaluable tool in helping the parish to follow its pastoral mission through the careful monitoring of its income and expenses.

The school budget must be approved by the Finance Council and the Pastor by April 30. The parish budget's first draft is to be prepared by March 31 and the final version of the budget must be approved by the Parish Finance Council and the Pastor by May 31.

**PREPARATION OF THE ANNUAL OPERATING BUDGET**103.2

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*Preparation of a parish budget should include the following steps:*

**SET OBJECTIVES WHICH ARE DERIVED FROM THE ANNUAL PASTORAL PLAN**

The Annual Pastoral Plan, which is developed by the Pastor in conjunction with the Parish Pastoral Council, describes specific strategies for how the parish will promote the spiritual growth of the parish community in the ensuing year. It is this document which, by establishing budget expectations for program and ministerial development, forms the basis of the annual operating budget for the parish.

**ESTIMATE OPERATING INCOME AND EXPENSES**

Parish income and expenses usually do not significantly fluctuate from one year to the next. Estimating income for the next year includes influences such as growth in the community and the parish; the general condition of the local and regional economy; the stability of specific area industries which may be integral to the lives of parishioners; and other economic influences.

Perhaps most importantly, though, when estimating both income and expenses, is that the parish assess the financial impact of new or expanded programs or ministries which the parish hopes to implement during the next year, and adjust its budget projections accordingly.

The parish may find it helpful to better manage and project operating expenses by viewing them first in the context of broad categories such as payroll, fixed expenses, program expenses, other operating expenses, and capital projects. Then, once a general allocation of parish expenses has been defined, the parish can narrow the budgeting process to individual line item accounts.

The budget should include an amount from the parish's excess operating receipts to be set aside for future capital maintenance projects and contingencies. Any capital projects which the parish anticipates beginning during the next fiscal year should also be accounted for in the parish's budget. Such projects may include replacement of roofs, flooring, renovation of buildings, repaving parking lots, etc.

It is important for the Pastor and Parish Finance Council to review the final draft of the budget with the parish staff and department or program directors or coordinators, since it is these individuals who will be most responsible for operating within the budget projections. Once the budget has been adopted, a summary can be made available to all parishioners, at the discretion of the Pastor. Communicating the annual budget to the parish community explains to those who provide the financial resources to the parish how their donated monies are used. This in turn engenders and promotes confidence and trust in those who support the parish about those who manage and use the monies they give.

## **OPERATING RESULTS**

103.3

Each year, parishes are expected to operate with operational receipts at least equal to operational expenses. After the parish receipts and expenses have been estimated during the budget formation process, the budget should be balanced i.e., not show an operating deficit. If it is not balanced, review the budget criteria to determine in what ways the parish may increase its receipts or cut projected expenses. Throughout this process, however, the budget should remain consistent with the goals and objectives of the parish's Pastoral Plan. The Pastor is the final authority over the adoption of the parish budget. .

## **MONITORING**

103.4

It is important that throughout the fiscal year that the Pastor and the Finance Council monitor on a monthly basis the parish and school's actual income and expenses against the budgeted amounts. This comparison of budgeted and actual receipts and disbursements will not only measure income and expenditures in terms of their budget projections, but can also help to identify unapproved expenditures or incorrectly posted transactions. Significant variances between budgeted and actual amounts should be investigated and explained. Managing the parish's financial operations in this way most likely will help the parish to end the year with an operating surplus.

## **SECTION 104**

### **Parish Financial Reporting**

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**Parish Financial Reporting****MONTHLY REPORTS**

104.1

Every parish prepares on a monthly basis, a Profit and Loss Statement, Balance Sheet and a Year-to-Date Budget Performance report. These reports are sent directly to the Pastor and parish finance council members and reviewed on a monthly basis by the Pastor and the Finance Council whether they meet or not.

**ANNUAL PARISH FINANCIAL REPORT TO THE DIOCESE**

104.2

Parishes are required to submit an Annual Parish Financial Report of their financial activities for the fiscal year ending June 30. The report is due at the Diocesan Finance Office by August 31.

**INSTRUCTIONS FOR PREPARING THE REPORT**

*(Please see Appendix A for instructions on preparing the Annual Parish Financial Report.)*

**COMPLETING THE REPORT FORM**

Whenever the amounts on a Parish's Annual Parish Financial Report do not agree with the corresponding amount on the parish books, a clear reconciliation and explanation must be included. This reconciliation is to be attached to the parish's copy of the Annual Parish Financial Report and stored in the parish records.

Parishes that process their accounting through QuickBooks Pro and follow the standard chart of accounts for parishes provided by the Diocesan Finance Office, can submit a Profit & Loss Statement for the fiscal year in lieu of completing the inside page of the annual report. The parish should also submit a Previous Year Comparison Balance Sheet as of the end of the current fiscal year.

**ANNUAL REPORT TO THE FAITHFUL**

104.3

In accordance with the provisions of Canon 1287-2, parishes are required to provide parishioners with a report of the financial condition of the parish at least once each year. However, quarterly reporting is strongly encouraged. This report helps to increase parishioner awareness with regards to the financial operation of the parish, and helps to reinforce the value of good parish stewardship. These reports are prepared, published and presented to parishioners by the pastor in conjunction with the parish finance council. *(Please see Appendix A for a sample letter and form for presenting the annual report to the parish.)*

**REPORTING BY PARISH ORGANIZATIONS AND SOCIETIES**

104.4

Each parish society, organization, or group operating in the parish prepares a written report to the Pastor at least annually as of June 30 each year. This report includes at least the following:

1. A summary of the activities of the society, organization, or group during the year.

2. A financial summary that begins with the cash balance of the society, organization, or group as of the beginning of the year, plus the receipts received during the year, minus the disbursements made during the year, and ending with the reconciled cash balances as of the end of the year.

(See Policy for Parish Societies, Organizations, or Groups in Appendix B.)

## **REPORTING BY PARISH SCHOOLS AND PRESCHOOLS**

104.5

Parish schools and preschools are important ministries of the parish and play a significant role in the financial stability of the parish. Schools must prepare financial reports on a monthly basis for review by the Pastor and the Parish Finance Council. The goal of these reports is to portray accurately the financial status of the school and/or preschool. At a minimum, such reports include a Balance Sheet, a Profit & Loss Statement, a year-to-date Budget Performance Report, and a report of the status of tuition collection (accounts receivable) and fund raising efforts by the school and its support groups.

Schools also complete an *Annual School Financial Report* for the Diocese of Sacramento. In addition to budget details for a fiscal year, this report supplies information about student enrollment, scholarship assistance, bank and investment accounts and the condition of the school.

## **PARISH FINANCIAL OPERATIONS REVIEW**

104.6

Parish Financial Operations Reviews are performed once every three years or when there is a change in pastors. The objective of this review is to assist the parish in ensuring that proper stewardship of parish assets is achieved through the use of standard financial procedures and practices, more commonly known as internal controls. The process includes an on-site review; preparation of written Report of Recommendations; a meeting to discuss the report with the pastor and parish finance council; implementation of the recommendations by the parish; and a written response from the parish signed by the pastor and members of the parish finance council. In accordance with Diocesan statutes, full implementation of these recommendations is to be completed within six months of the date of the review.