ROMAN CATHOLIC
DIOCESE OF ROCHESTER

Guideline : **Parish Finance Council Guidelines**
Related Policy : **Parish Governance Policy**

Issued by:	The Most Reverend Matthew H. Clark	Date Issued:	July 6, 2011
Revised by:	The Most Reverend Salvatore R. Matano	Last Revised:	September 29, 2015

Purpose & Nature

Canon 537 of the Code of Canon Law requires the establishment of a Finance Council in each parish. Regulated by universal law as well as by norms issued by the Diocesan Bishop, the Council assists in the administration of the temporal affairs of parish by offering counsel and guidance to the Pastor and Parish Pastoral Council. The goods of a parish are administered in accord with the norms of the canons of Book V of the Code of Canon Law and Diocesan Financial Policies and Procedures. The financial affairs of a parish are also subject to all applicable New York State and Federal laws.

The Finance Council ("The Council"), a mandated consultative body in the administration of parish finances. When more than one parish has been entrusted to the care of a single Pastor, a joint Council may be constituted in so far as it is representative of each parish in the cluster. In this case, the Pastor may occasionally gather with the individual Parish Finance Council (representatives to the joint Council) of a particular parish as needed.

While the Council has significant responsibility for the stewardship of parish financial resources, it is the role of the Pastor and the Pastoral Council to discern the directions and priorities that will advance the mission and life of the parish.

Canon law states that the Pastor is obligated to consult the Council on certain matters and on all matters requiring the Bishop's approval. (See *Attachment A – Transactions Requiring Approval of the Diocesan Bishop* for the complete list. Also provided is *Attachment B – Recommended Areas for Finance Council Consultation.*) While the Pastor is not obliged to follow the recommendations of the Council, he or she in prudence ought not to act against such advice, especially when there is consensus, unless there is a serious overriding reason. When acting contrary to its recommen-dations, the Pastor should provide an explanation to the Council regarding the reasons for his/her decision and this should also be recorded in the minutes.

The Pastor should ensure that members of the Council are conversant with and committed to ethical principles consistent with the moral teachings of the Church. The parish leader is responsible for educating Council members on general ecclesiastical law and diocesan policy pertaining to the administration of church temporalities.

Membership

The Council's membership must include individuals who have knowledge and expertise in the areas of accounting, business, administration, law, and financial management. In so far as possible, the membership of the Council should reflect the parish population in terms of gender, age, race and cultural background.

In addition, members must:

- be fully initiated Roman Catholics in good standing with the Church;
- be registered and supporting members of the parish;
- be participants in parish life and worship;
- be committed to prayer, study, listening and dialogue;
- be committed to giving the time needed for participation;
- be aware of and comply with the parish by-laws;
- be aware of and comply with the Parish Conflict of Interest Policy.

If a parish or cluster employs a professional staff member such as a business manager, the business manager should serve as staff to the Council. Parish employees are not members of the Council; they support the Council. Parish employees should be available to answer questions regarding parish programs, accounting, financial reporting, internal controls, etc. The Council should be provided relevant and timely information including financial reports (balance sheet, income statement, actual to budget comparisons, loan balance payments and interest payments, investment of surplus funds, status of fundraising drives, etc.) to review.

The Business Manager can play a key supporting role in the administration of the parish. In some of the most developed situations the Business Manager role can encompass duties that are a hybrid of a chief operating officer and chief financial officer. It is important that the Council and the Business Manager communicate on issues and priorities and coordinate their activities.

Likewise, when parish buildings and grounds are to be discussed, inviting staff responsible for these areas can enhance the discussion.

Size

The Council should be large enough to include a broad representation of the required expertise, but not so large as to inhibit planning and the development of recommen-dations. A group of five to seven members is recommended. In the event there are more interested parishioners willing to serve than there are seats on the Council, it is recommended to establish some subcommittees that can specialize in areas such as the budget, facilities, capital and/or planned giving.

Selection

The Pastor selects Council members through an open search process that will include: an identification of membership needs, recruitment of prospective members, an application

process, and interviews. The selection process may include the Parish Pastoral Council and/or lay trustees.

Term of Office – Policy

The term of office is five years. Terms should be staggered so that some Council members change each year. A member may serve for two consecutive five year terms. After one year of a break in service, a new cycle may commence.

Organization

As a mandated consultative body, the Council is a distinct body. While both the Parish Pastoral Council and the Parish Finance Council have shared concern for the mission of the parish, each council has distinctive competence. Care must be taken to integrate the Finance Council into the consultative structure of the parish, receiving input from and providing assistance to the Parish Pastoral Council as requested; while offering advice to the Pastor as requested or required. It is strongly encouraged that minutes of each council meeting be shared with members of the other council.

The officers of the Parish Finance Council shall be a Chairperson and a Secretary.

While by *Canon Law* the Pastor presides over the council, he or she does not chair it. The members shall elect (or the Pastor shall appoint) the Chairperson after the members have gone through a period of discernment. He/She will chair all meetings and, in consultation with the Pastor, will be responsible for selecting the hour and location of meetings, preparing the meeting agenda, notifying members of upcoming meetings, and any other duties so assigned by the Pastor. Meeting agendas should be prepared in advance of the meeting by consultation between the Pastor and Council Chair. The agenda should list the major items for discussion. A typical agenda should include:

- Opening prayer
- Revisions and approval of the agenda
- Approval of the meeting minutes from the previous meeting
- Items to be discussed (old and new business) along with recommendations and actions necessary
- Quarterly budget vs. actual analysis
- Budget review and approval (annually)
- Financial statement review and approval (annually)
- Review of "audit" report, if applicable
- Planning for the next and future meetings

Supplying information in advance to members will lead to more productive meetings.

The Secretary will be responsible for the recording and distribution of minutes, maintaining a permanent record of each member's tenure and of business conducted by the Council, and any other duties so assigned by the Chairperson. Meeting minutes should contain all recommendations of the councils and decisions of the Pastor as well as open Action Items.

Meetings should be scheduled at least once a quarter or more frequently if required. Meeting times and dates should be predictable, such as a day and week of each month. Because its purpose is to give him/her advice, the Pastor ought to be present at the Council meetings.

In addition to being heard on matters requiring the consent of the Diocesan Bishop, another very important responsibility includes reviewing and signing the report of the external auditor, acknowledging that the Council has been made aware of the findings. Of course, the Council should advise on correcting any noted deficiencies.

Members should maintain confidentiality on those matters designated as confidential. Materials such as agendas, meeting minutes, and review materials should not be disclosed to others if designated as confidential.

Council meetings are typically not open to the parish community. Reports to the commu-nity will be shared once decisions are finalized. Communication with the parish should also occur at the onset of studying an issue to solicit needs and concerns, gifts and resources of the parish community. The primary purpose of the Council is to provide open and honest advice to the Pastor; if the meetings occurred in a public forum, the discussion might be too limited. The Council should advise the Pastor on the best ways to keep the parish at large informed and involved in key issues and decisions facing the parish.

Reporting of Suspected Frauds

If at any time fraud is suspected, members should contact the Diocesan Fraud Hotline at 1-800-388-7177 x1266; where suspected malfeasance can be reported anonymously if necessary.

Subcommittees

It often makes sense to divide the Council into subcommittees (consisting of both Council members and non-members) to deal with responsibilities and duties. The magnitude and complexity of the different subcommittees depends upon the size, resources, obligations, and needs of each particular parish. The Council, following the priorities established by the Parish Pastoral Council, coordinates the work of these subcommittees.

The work of the subcommittees **may** encompass the following:

<u>Buildings & Grounds Subcommittee</u>

- Each parish must have a Buildings & Grounds Committee as a standing sub-committee of the Parish Finance Council. See the Buildings & Grounds Committee Guidelines.

<u>Budget Subcommittee</u>

- To assist the Pastor in the preparation, presentation, and review of an annual budget for both operating and capital expenditures based upon the goals and objectives determined by the Parish Pastoral Council. This approved budget should be published and made available to parishioners.
- To seek assistance in balancing an operating budget through the parish's Financial Planning and Development Subcommittee (if one exists), the parish's Pastoral Planning Group, and the diocesan parish finance office.
- To assist other programs and ministries in preparing and submitting their annual budgets to the parish.
- To study parish revenue and make recommendations for maintaining and increasing revenues in order to meet parish objectives and priorities.
- Monitor demographic and parish contribution trends.
- **To provide parishioners with periodic (e.g. semi-annual or annual),**

comprehensive written reports on the parish's financial position, including a statement of activity and balance sheet accounts. (This is mandatory.) Consider oral reports to parishioners to elaborate on key results and issues.
- To work with the elementary school and the religious education program regarding the budget, review internal controls of the business office, and prepare recommendations regarding subsidy approval. The same applies if supporting a regional school or consolidated school and may involve communication with other Parish Finance Councils or with a School Finance Council.
- To suggest and review cost-cutting measures when necessary.

Audit Subcommittee
- Conduct self-administered audits of internal controls and Diocesan Policies and Procedures. Particularly focus on areas involving cash receipts and any disbursements. Review procedures used for gathering, counting and recording Sunday collections and tuition and control of bank accounts. Confirm duties are adequately segregated. Share findings with appropriate diocesan personnel.
- To ensure that tamper-evident cash bags along with a robust collection and counting procedure is routinely used in the parish. Tamper-evident bags with robust handling procedures are required for any event or activity handling cash.
- To ensure that bank reconciliations are regularly completed in a timely manner after each bank statement is received and that the reconciliations are checked by someone other than the person performing the reconciliation.
- To review periodic financial/procedural audits of the parish performed by an external auditor and advise on how best to address and correct identified weaknesses. Assist in communicating results to parishioners.

Financial Planning and Development Subcommittee
- To provide long-range planning for both the financial and physical needs of the parish.
- To work closely with the budget and maintenance subcommittees, the Parish Pastoral Council, and other parish organizations to adequately plan and identify for the long range financial and physical needs of the parish, particularly in the instances where there is a deficit operating budget.
- To encourage and communicate the benefits of Planned Giving to both the parish and the parishioners.
- To investigate and propose additional income streams.
- To work with the Pastoral Planning Group to resolve similar challenges and to minimize expenses and maximize resources.

Investment Subcommittee
- Adoption of an investment policy statement
- After the Facilities & Maintenance and Financial Planning & Development Subcommittees have done their jobs, the Investment Committee should have a forecast for long term capital needs.
- The Investment Committee should then provide a strategy to meet those capital needs through the investment of long term parish funds through an appropriate allocation across suitable financial instruments.
- The performance of these instruments versus standard indices and the allocation percentages should be reviewed periodically (at least annually) and adjustments should be

made accordingly.

Attachment A

TRANSACTIONS REQUIRING APPROVAL OF THE DIOCESAN BISHOP

Generally, transactions that exceed 10% of the parish annual offertory income[1] or $30,000, whichever is more, require the approval of the Diocesan Bishop. However, the following categories carry special consideration.

Acquisition

The Pastor will need to notify the Diocesan Bishop in writing of his/her intention. This letter should contain the reason for considering acquisition. There should be evidence that the consultative bodies of the parish have considered the contem-plated acquisition. The minutes of the Finance Council and of the Pastoral Council meetings at which the topic was discussed must be sent to the Chancellor along with the parish's most recent financial statement. The Pastor will receive a response indicating preliminary approval and next steps to follow, or requesting further information, or expressing concerns relative to the proposed acquisition.

All purchase contracts should be contingent upon receipt of a phase I environmental assessment satisfactory to the parish. With respect to the purchase of property with existing improvements an engineering inspection should take place including inspection of all mechanical, electrical and life safety systems as well as structural and roofing inspections.

Any purchase offer must be examined by legal counsel before it is signed and must contain the following clause: "Subject to the approval of the Roman Catholic Diocese of Rochester within twenty (20) business day of the date of receipt." The purchase offer with a resolution, using the proper legal title of the purchaser and specifically stating the property to be acquired, and the offering price, should be sent to the Chancellor's office with the purchase offer.

If the parish is incurring debt in this transaction (other than a purchase money mortgage), an attorney will have to prepare a standard Court Order and Consent Form, which should be forwarded to the Bishop for signature.

Alienation

Alienation is the transfer of ownership of stable patrimony (long term assets). There are four general categories of stable patrimony: real estate, movable property not consumed in its use (i.e. art, automobiles, furniture, and books), long-term investments in securities, and restricted funds. The value of the asset must be determined when considering the transfer of ownership of any of these types of goods. If the value exceeds $30,000 or 10% of the prior year's ordinary annual income, whichever is higher, the consent of the Diocesan Bishop, acting with the consent of the College of Consulters and the Diocesan Finance Council is required. If the value of the asset exceeds $3,500,000 the additional permission of the Holy See is required.

The process begins with a letter from the Pastor to the Diocesan Bishop requesting permission. The letter should describe the property, the reason for alienation, the value of the property, and the process of consultation. Please consult the "Alienation of Church Property Information Form" (attached) for a description of the required documentation.

In addition to the canonical requirements, alienation of ecclesiastical goods must satisfy all requirements of applicable civil law. This will most often require court approval. The diocese will facilitate legal counsel for parishes considering alienation of property. (See the Diocesan Procedures for Closing/Vacating, Leasing, Selling, or Demolishing of Parish Buildings. [link])

Leasing

When contemplating the leasing of church property, Pastors should contact the Chancellor. Legal counsel should be consulted to develop the form and content of the lease. (See the Diocesan Procedures for Closing/Vacating, Leasing, Selling, or Demolishing of Parish Buildings. [link]) Properly developed leases serve to protect the interests of all parties.

The valid leasing of ecclesiastical goods owned by a parish requires consent of the Diocesan Bishop when the market value of the goods to be leased exceeds $100,000 or the lease is to be for 1 year or longer. Leases of terms longer than five (5) years, including renewals, are not permitted.

Construction & Renovation

One of three different Construction and Renovation processes will be followed depending on the size and complexity of the project. These are all detailed in the Buildings and Properties Policy. [link]

Attachment B

RECOMMENDED AREAS FOR FINANCE COUNCIL CONSULTATION

As stated earlier, the Pastor is required to consult with the Finance Council on matters requiring the approval of the diocesan bishop. These should not be the only times that the advice of the Council is sought. When consulted, the recommendations of the Finance Council should be reflected in the meeting minutes. Listed below are other suggested situations when the Finance Council should be consulted:

- Diocesan norms require the Pastor to consult with the Parish Finance Council for a commitment of parish resources over $10,000.
- The advice of the Finance Council should be sought in the management of parish funds, banking arrangements and investments. A limited number of bank accounts should be established and procedures for approving new accounts should be in place. The Council should approve a new bank account before it is opened. This also applies to bank accounts for auxiliary groups. The Council should also ensure compliance with the Parish investment policy if applicable.
- The Council should review any indebtedness of the parish and assist the Pastor in fulfilling his/her obligations under canon 1284.5, i.e. to "pay the interest on a loan or mortgage when it is due and take care that the capital debt itself is repaid in due time." Planning for debt repayment should be an integral part of the budget process.
- Regularly review periodic (at least quarterly) of financial reports – balance sheet, income statements, comparisons to budget as well as prior year results and cash flow analysis. Significant variances from budgeted figures should be investigated and explained. Since some variances are a function of timing and will correct themselves by year end while others will not, creating a year end estimate will be helpful to determine if further action is needed to get back on track.
- Review the activities of any parish auxiliary groups and verify cash balances of bank

accounts. Annually meet with auxiliary groups to review the reporting of past year's activities and a review of the budget for the coming year. Assess the accounting practices and internal control procedures in use to insure compliance with diocesan policies. Review the activities of the auxiliary groups to assure that they are not jeopardizing the tax-exempt status of the parish.

- The Council should regularly review the Diocesan Policies and Procedures to ensure the parish is in compliance. Doing so will minimize the time and money spent performing and reviewing the diocesan audit.
- Consult on the construction or renovation of parish facilities, the sale or purchase of parish property, and lease agreements. The Council assists the Pastor in planning for repair, replacement, or service of property and equipment to ensure that the parish buildings and property are adequately maintained. Review maintenance and utility costs seeking to minimize costs through preventative maintenance, energy conservation, and the implementation of risk management programs and recommendations.
- Assess effectiveness of existing fund-raising programs and recommend new programs or changes to existing programs if revenues are insufficient. Review of fundraising activities, such as raffles, bingo, and concession sales for acquisition of required licenses, support documentation for tax filings, and actual tax filings.
- Support parish and diocesan stewardship programs.
- Provide advice on how to use undesignated bequests or other unbudgeted revenue that will not become part of Stable Patrimony (Long Term Assets).
- Provide advice on hiring and evaluating a business manager or anyone providing business services to the parish. Provide advice on training that might be helpful for parish staff.
- Where possible, help the Pastor establish and manage a parish endowment program. Particularly, help insure that the purpose of the endowment is well-defined considering the long-term needs and life of the parish and that any restricted gifts are first reviewed to assure that the parish can accept the restriction and, once accepted, that the funds are spent consistent with the donor restriction(s). Similarly, provide advice and oversight if an endowment already exists.

Attachment C

CHECKLIST OF MAJOR ACTIVITIES

The Parish Finance Council should establish an annual plan of its activities. Such a checklist could include the following activities:

1. Parish Annual Report
   a. Review completed report prior to submission to the diocesan bishop. The report should be complete within 60 days of the end of the fiscal year.
   b. Coordinate communication to parish community of the financial situation of the parish. Consider using printed material, oral presentations, and parish hall meetings. Report should be presented to the parish as soon as possible, but no later than 5-months after the end of the fiscal year. This is mandatory.

2. Parish Budget Report
   a. Project and plan resources to meet specified goals. Ensure that the parish is not operating at or projecting a deficit. This could entail a review of parish staffing levels.
   b. All individual program budgets are reviewed: church, elementary school, religious education, and auxiliary groups.
   c. Share proposed budget with the Parish Pastoral Council and the general parish.
   d. Complete and submit to diocesan bishop as required.

3. Financial Review
   a. Financial report and significant financial facts should be prepared for every meeting.
   b. Budget amounts are compared to the actual income and expenditures to monitor results in comparison to budget projections. At least quarterly, large budget variances should be investigated to determine if a correction plan is necessary.
   c. Year over year trend reports for programs, revenues, and expenses are analyzed to plan corrective action.
   d. At least quarterly, a representative from the Finance Council should review the general ledger detail and reconciliation of cash and investment accounts.

4. Accounting / internal control systems / *best practices*

a. Review accounting system to determine if it produces current and accurate financial records.
b. Ensure that appropriate risk management practices are in place.
c. Identify all parish bank accounts, not just known operating accounts. Confirm that these account balances are reflected in the financial statements. Determine if the number of accounts can be reduced to ease administration.
d. Review current bank account signature cards and account reconcilements for all parish accounts on a regular basis.
e. Review the separation of duties, to the extent possible, of personnel involved in the finances of the parish.
f. Review any statements received for any parish account related to a credit or debit card, store account, purchase order, purchasing card or other similar instrument. Verify that purchases had the necessary approvals, were for a parish purpose and are coded to the proper general ledger account.

5. Auxiliary groups
   a. Review budget and upcoming activities for the next year.
   b. Review revenue and expenses along with bank account reconcilements.
   c. Meet with the groups to acknowledge their contribution of time, talent, and treasure. Reinforce financial accountability from various groups to the parish.

6. Compliance Oversight
   a. While not annual, when an audit is performed, the Council needs to sign off on the Audit Review provided by the auditor.
   b. Taxable Activities: review support documentation and tax filings for payroll taxes (including W-2's), bingo, pull-tabs, and concession sales.
   c. Licensing Activities: review support documentation and filings for bingo, pull-tabs, carnivals, raffles and other events that may be restricted by the local municipality.
   d. Payments for Services Provided to Parish: Confirm that 1099 Federal forms are complete and filed for independent contractors.
   e. Deductions from parish employee pay: Confirm that payroll deductions are submitted on a timely basis to the benefit providers.
   f. Confirm that all compensation to employees and contractors, including bonuses or gifts, is reflected appropriately on the respective W-2 or 1099.