



ARCHDIOCESE *of* OMAHA

Norms for Parish Finance Councils

I. PURPOSE AND NATURE

Canon 537 of the *1983 Code of Canon Law* provides for the establishment of a finance council in a parish. Regulated by universal law as well as by norms issued by the archbishop, the finance council assists in the administration of the temporal goods of the parish by offering counsel and guidance to the pastor. The goods of the parish are administered in accord with the norms of the canons of Book V of the *1983 Code of Canon Law*. The financial affairs of a parish are also subject to all applicable Nebraska State and Federal laws.

The finance council, a mandated consultative body, advises pastors and parochial administrators regarding stewardship of parish financial resources. The council possesses a consultative voice in the administration of parish finances. It is envisioned as a select group of parishioners known for their spiritual maturity and love of Christ and the Church, endowed with special competence in financial matters and prudent judgment, who offer their time and talents as a service.

While the finance 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 direction and priorities that will advance the mission and life of the parish.

II. THE PARISH

A parish is a community of the Catholic faithful stably established by the bishop of a diocese, whose pastoral care is entrusted to a pastor (cf. c. 515). The primary duties of the pastor are to celebrate the Eucharist, preach the Word of God, administer the Sacraments, and serve the people.

In addition, the pastor is the duly appointed administrator of a parish's temporal goods. Pope John Paul II, in revising the *Code of Canon Law*, recognized the complexities of financial administration and management and thus mandated a finance council in each parish to assist the pastor, but in doing so he in no way lessened the authority or responsibility of the pastor.

III. MEMBERSHIP

The purpose of the finance council is to provide the pastor, parochial administrator, the parish pastoral council and other leadership bodies with competent financial analysis and counsel. The finance council's membership must include individuals who have knowledge and expertise in the areas of business, administration, law, and financial management. In so far as possible, the membership of the finance

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;
- registered and supporting members of the parish;
- participants in parish life;
- committed to prayer, study, listening and dialogue;
- committed to giving the time needed for participation.

If a parish employs a staff member as business manager, the business manager should serve as staff to the finance council. Membership cannot include anyone who could have a conflict of interest nor can any close relative of the pastor be a member of the finance council.

IV. SIZE

The finance council should consist of at least three members (not to exceed five) of the Christian faithful. The members should be truly skilled in the areas of finance, civil law or business (c. 492 §1) and possess outstanding integrity.

V. SELECTION

Finance council members must be appointed by the pastor, not elected by parishioners. The pastor may wish to involve the parish finance council and parish pastoral council in the selection of the members of the parish finance council. Persons related to the pastor or having a direct financial interest in the parish should not be appointed.

VI. TERM OF OFFICE

Members are appointed to serve for a period of 3-5 years, with the possibility of one additional consecutive term upon approval by the pastor. Terms should be staggered so that some council members change each year. Members shall serve out their terms and cannot be dismissed except for just cause (failure to attend meetings, breaking confidentiality, not practicing faith, loss of respect of the people, etc.). Council members should not be eligible to serve again until one year after the completion of their last term.

A change of pastor has no effect on the life of the council or appointments to it. The council continues in existence even when no permanent pastor is assigned. It cannot act on its own, but remains a consultative group for the parochial administrator during the interim period before a permanent pastor is assigned.

VII. ORGANIZATION

The parish finance council and parish pastoral council are distinct consultative bodies in the parish. While both the parish pastoral council and the parish finance council have a shared concern for the mission of the parish, each council has distinct competence. **As a mandated (cc. 537, 1280) consultative body, the parish finance council's 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.

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. Minutes of each council meeting shall be shared with its members.

In order for the parish finance council to fulfill its mission, it must have access to such fiscal information which it shall need for its deliberation such as parish financial accounts and records. Such information must be received and given in a spirit of confidentiality and prudence.

If the pastor in good conscience believes he cannot accept the recommendations of the council, he shall fully and frankly communicate his reservations to the council's membership.

VIII. MODE OF OPERATION

The process of operation for the parish finance council should be conciliar-consensus. While the *1983 Code of Canon Law* places the authority and responsibility on the pastor, it does not do so at the exclusion of the participative process. The Code intends a cooperative pastor-council relationship for the best interest of the parish community and the archdiocese.

The pastor convenes the Finance Council. The pastor presides over all meetings. The pastor is to seek the prudent judgment of the Finance Council relative to parish administration. Such administration considers the needs of the parish, policies, programs and projects of a financial nature that are related to the fruitful and effective pursuit of the

pastoral mission of the Church and the parish. **The process is not that of a board of directors or trustees who are charged to do business in the name of the parish.**

The pastor meets with the parish finance council at least twice a year. Quarterly meetings are recommended. Regular agenda items should include budget performance and balance sheet review. The agenda shall be arranged by the chairperson in consultation and with the approval of the pastor. The pastor and members are expected to attend all meetings. Individuals or groups from the parish may be invited to address the council. It is appropriate that a parish finance council be involved in planning relative to ongoing capital maintenance, parish stewardship, and the annual financial report offered to parishioners. The parish finance council must be heard on matters requiring the consent of the archbishop.

IX. SPECIFIC DUTIES

Pastors are obliged to administer parish goods, according to church law, as found in canons 1281-1288. The parish finance council assists the pastor in fulfilling the following responsibilities:

The council shall assist the pastor, as the administrator of parish goods, in the preparation each year, of a budget of the income and expenditures foreseen for the operations of the entire parish in the coming year. This yearly budget of income and expenditures will be reviewed by the parish pastoral council, then reviewed and approved by the pastor prior to the beginning of each fiscal year.

The council shall review the various parish income and expense reports for the parish no less than twice a year.

The council shall review parish compliance with proper internal controls twice a year (Archdiocese Business Administration Handbook, F 4.1., F 4.2).

The council shall assist the pastor in the preparation of annual financial report of income and expenditures covering all parish operations for dissemination to the parish at-large.

The council is to assure the implementation of all archdiocesan policies related to financial matters.

The council shall advise the pastor on all **acts of extraordinary administration (c. 1277)**, before he seeks the approval of the archbishop. Acts of extraordinary administration include but are not limited to:

1. Archdiocesan norms require the pastor to consult with the parish finance council and request Chancery approval for all commitments of parish resources of \$30,000 and above;
2. Acquisition or alienation of real property;
3. Entering into a real estate lease;
4. Signing of certain contracts;
5. Sale of religious artifacts that would be considered part of the parish's patrimony (e.g., stained glass windows);
6. Collateralizing or mortgaging of real property;
7. Conducting a parish campaign;
8. Other significant matters.

The pastor shall hear the council on all **acts of major importance (c. 1277)**. Acts of major importance include but are not limited to:

1. Purchasing a parish vehicle;
2. Replacing all hymnals/missals in the church;
3. Remodeling rooms;
4. Landscaping property;
5. Financial involvement of the parish in ecumenical or local community programs/projects;
6. Maintenance/repair projects that are routine, but do not need proxies from the archbishop [$< \$30,000$].

The pastor shall seek council's advice on all **acts of ordinary administration**. Acts of ordinary administration include but are not limited to:

1. The collection of:
 - a. money acquired in approved ways;
 - b. debts from creditors (unless court action is required);
 - c. annual income from stocks
2. Buying and selling what is required for the daily maintenance of the parish;

3. Regular maintenance and repair of church property (with limits)
4. Bookkeeping;
5. Acceptance of donations (to which conditions are attached);
6. The payment of salaries and other recurring debts (supplies, utilities, diocesan assessment, etc.);
7. Certain short-term leases (renting the parish hall, etc. . . < 1 year).

The council shall also assist the pastor in assuring that the following fiscal functions are performed:

1. Review the completed annual financial reports to the archdiocese, taking care to ensure that all report have been accurately and completely prepared;
2. Review the interim financial statements of the parish and provide periodic financial reports to the pastoral council. The finance council should address significant revenue and expense variances from the approved budget;
3. Provide assistance in the formulation and communication of mid-year and annual financial reports to the parish community. Quarterly reports are recommended.
4. Timely payment of debt and interest payments;
5. Timely payment of vendor invoices;
6. Investment of surplus funds in Archdiocesan Deposit and Loan Fund or in accord with Archdiocesan Investment Policy I 1.1, I 1.2;
7. Assure adequate revenue through various means such as accepted tithing programs, parish fundraisers and planned giving programs. In some instances, the finance council may wish to establish a development subcommittee which would address the concerns of adequate revenue.
8. The council shall assist the pastor in the coordination of the fiscal activities with other parish organizations such as the pastoral council;
9. The council shall review the long-range planning objectives of the parish as they relate to the ability of the parish to fund those goals and maintain fiscal integrity;
10. The council shall develop a plan for the financing of necessary repairs, renovations, and equipment purchases;

11. The council shall assure the parish meets all requirements of federal and state laws and regulations;
12. The council shall assure that tax-exempt forms, as required by law, are submitted to appropriate civil authorities, and to maintain records of same for all parish-owned properties;
13. The council is to safeguard the assets of the parish from loss or damage through appropriate review of insurance coverage;

X. OFFICERS

It is recommended that officers for the parish finance council include:

President: The pastor is the presiding officer of the council. This role is assigned by virtue of his authority in the parish. He sees to the presentation of the agenda, and presides at each meeting, either personally or through a delegate.

Chairperson: Appointed by the pastor, the chairperson assists the pastor in coordinating the work of the council, if preparing for meetings and in implementing those proposals of the council which have been accepted and ratified by the pastor. The chairperson performs other such tasks as may be delegated to him/her, including, if the pastor so desires, chairing and conducting regular meetings of the council. The chairperson is appointed for a term of 3-5 years. He or she may be reappointed.

Vice-Chairperson: Appointed by the pastor to chair meetings when the chairperson is unable to attend.

Secretary: Provides an accurate record of minutes and sends notification of the scheduled meetings to members seven days in advance. This notification includes minutes of the previous meeting, the agenda, and any documentation relative to the agenda. The secretary also handles any communication from the parish pastoral council.

Executive Committee: The executive committee consists of the president, chairperson, and vice-chairperson. They prepare the council agenda and provide leadership to ensure that the council is faithful to its responsibilities.

XI. REVIEWING THE PARISH FINANCIAL REPORTS

As stated previously, the parish finance council should review parish financial reports, such as the parish budget, balance sheet, profit and loss statement, and others. Each report

offers a different glimpse of the parish financials, and all should be used in conjunction in order to receive a full picture of the parish's financial health and position. The sections below detail the importance of individual reports and provides a list of items parish finance council members should pay attention to or ask questions about.

Balance Sheet - The balance sheet reports the parish's assets, liabilities and equity at a specific point in time. It is a statement that provides information on what the parish owns, owes, and the amount invested in the parish. The balance sheet is important because it provides a picture of the financial health of the parish. By analyzing the balance sheet, parish finance council members can identify if the parish owes more money than it currently has, the current value of the parish's bank accounts and endowments, etc.

1. Review the parish's bank account balances.
 - a. Is the parish's bank account balance too low? Based on the parish's monthly expenses, can the parish make its payments for the next month?
 - b. Is the parish's bank account balance too high? If the parish's bank account balance exceeds three to six months of its monthly expenses, perhaps some of that money could be better invested elsewhere.
2. Review the parish's CDs, savings accounts, and D & L accounts.
 - a. Does the parish have a healthy amount of savings in case something unexpected were to happen?
 - b. Generally, CD, savings, investment, and D & L account balances should increase from year to year as these accounts all earn interest. If the accounts remain the same from year to year, ask why. On the other hand, if there is a decrease in these accounts, ask what the withdrawn funds are/were used for.
 - c. Is the parish's money invested in the best manner? Can the parish earn a higher interest rate elsewhere?
3. Review the parish's endowment accounts.
 - a. Business managers receive either monthly or quarterly reports on the endowment accounts. Endowment accounts should be updated accordingly. If the accounts remain the same from year to year, ask why.
 - b. Evaluate each endowment account's performance. Endowments that are invested in the stock market through companies such as Merrill Lynch will change with the market.

4. Are there any accounts (bank accounts, investment accounts, CDs, etc.) that are not depicted on the balance sheet?
5. Review the parish's receivables.
 - a. Are payments being received timely?
 - b. Is an Accounts Receivable Summary provided to the parish finance council?
6. Review the parish's liability accounts.
 - a. Most importantly, does the parish owe more than it has in its bank accounts? If so, this is a problem.
 - b. Is the parish keeping up on its accounts payable payments? Is the parish keeping up on its payroll tax payments?
 - c. Is the parish making on-time payments? If the parish doesn't pay its bills on time, it may be charged interest, fees, and/or fines, especially if it doesn't make its IRS payroll tax payments on time.
 - d. Is an Accounts Payable Summary provided to the parish finance council?

Profit and Loss (P & L) Statement - The P & L reports the parish's financial performance over a specific period of time. The business manager can create monthly, quarterly, yearly, etc. reports; the business manager can also create reports by class, meaning he or she can create a separate P & L for religious education, the cemetery, etc.

The P & L depicts how the parish receives its revenues and incurs its expenses, whether from operating or non-operating activities. It also shows the net profit or loss to date. In addition, the P & L can be used to identify financial trends. If transactions are recorded correctly, the P & L is important because it indicates the financial performance of the parish over a period of time.

1. General Questions
 - a. Does total income exceed expenses? If not, what can the parish do raise money or encourage greater contribution? What can the parish do to cut costs?
 - b. Are there any negative account balances? If so, there is likely an accounting error.

2. Review the parish's income accounts.
 - a. Are Sunday collections low? If so, what can be done to encourage greater contribution from parishioners?
 - b. How are the parish's activities or festivals doing? Are there opportunities for expansion or any new activities or festivals?
 - c. Is the parish earning any income from interest or dividends? If the parish has investment accounts, it should be.
3. Review the parish's expense accounts.
 - a. Are the parish's expenses comparable to prior years? If not, is the parish cutting costs or are costs increasing?
 - b. Are any costs substantially larger than normal? If so, why?

Budget - A budget is an estimate of income and expenses for a set period of time; each parish creates a budget every fiscal year. Having an accurate budget allows the parish to continuously track where it is financially relative to its goals. It allows for planning for things like operating costs as well as potential investments or capital expenditures.

1. Ensure the budget is an accurate representation of the parish's performance.
2. Review actual versus budgeted income. Is the parish's actual total income on track with the budgeted total income? If not, why?
3. Review actual versus budgeted expenses.
 - a. Are the parish's actual total expenses on track with the budgeted total expenses? If not, why?
 - b. Is there a certain expense spiraling out of control? If so, why? The parish finance council should develop ideas to contain this cost.

Statement of Cash Flows - A cash flow statement provides information regarding all cash inflows the parish receives, such as money from Sunday collections, and all cash outflows that pay for the parish's expenses. The Statement of Cash Flows is important because it can help determine if the parish has enough cash to cover its upcoming expenses, such as payroll, utilities, etc.

1. Review the parish operating account and compare it to the P & L. A QuickReport of the operating account and/or bank statements should be viewed.

2. Ensure the parish has enough cash on hand to cover its monthly expenses. If not, the parish must develop ideas to cut costs, inspire more Sunday contribution, or determine where the parish will obtain sufficient money to cover its expenses.