

Sample C: Parish Finance Council Guidelines

The Archdiocese of Chicago is acknowledged, and their effort in developing the initial draft of this Sample Parish Finance Council Charter is gratefully appreciated.

This document is intended as an overview of the responsibilities and roles of Parish Finance Councils as defined by Canon Law and best practices of parish administration. An active and well-formed Parish Finance Council is an important and necessary support to the parish administrator in fulfilling his duty of being a good steward of parish resources. A Parish Finance Council supports good management of a parish and accountability to the diocese and to the parishioners. Each individual diocese is encouraged to review this document and the best practices contained herein and modify the document to conform it to the specific norms and particular law of that diocese. For simplicity within this document, references to a “pastor” should be understood to mean a pastor or parish administrator.

PARISH FINANCE COUNCIL GUIDELINES

INTRODUCTION AND BACKGROUND

Parish Finance Councils assist the pastor in the administration of parish temporal matters. An active, well-formed Parish Finance Council is a key element for promoting the financial health of a parish, assuring accountability and assisting the pastor with his temporal responsibilities.

In the administration of temporal goods of the parish, Canon 532 defines the role of the pastor as the authoritative representative of the parish. Canon 532 says,

“The pastor represents the parish in all juridic affairs in accord with the norm of law; he is to see to it that the goods of the parish are administered in accord with the norms of canons 1281-1288.”¹

Canon 537 introduces the Parish Finance Council as a **mandated** body having an advisory and consultative role with the pastor. Canon 537 says,

“Each parish is 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 parish goods with due regard for the prescription of Canon 532.”

Therefore, while Canon Law vests much authority in the pastor, it also places an expectation on him to be a good steward of the resources entrusted to him and fulfill his office with the diligence of a good housekeeper. In addition to specifically requiring the pastor to seek counsel from his finance council, Canon Law also suggests that good stewardship requires the inclusion of the Christian faithful and utilization of their gifts in the administration of the resources of the Church and specifies that this expectation for good stewardship is to be further defined by the bishop through the establishment of particular norms which mandate how a pastor is required to utilize his Parish Finance Council, and how the finance council is expected to operate. Additionally, depending on the legal structure of a parish (either canonically or civilly), its corporate statutes may define additional roles and responsibilities for the Parish Finance Council.

CONSULTATIVE BODY TO PASTOR

The Finance Council works closely with the pastor, who is accountable to the diocesan bishop for the administration and stewardship of the temporal goods of the parish. The pastor, according to Canon Law, has among his responsibilities, the responsibility for parish financial and temporal management. The Parish Finance Council does not have decision making authority, consultation is at the heart of the decision-making process – sharing information, listening, contributing to the discussion, and promoting consensus.

Note: the full texts of Canons 1281-1288 may be found in Appendix A to this document.

Canon law states that the pastor is obligated to consult the Finance Council on certain matters. Although the pastor is not obliged to follow the recommendations of the Finance Council, the pastor should not act against such advice, especially when there is consensus, unless there is an overriding reason. In other words, the prudent pastor would not ignore the advice of the Finance Council unless there was a serious reason to do so. When acting contrary to its recommendations the pastor should provide an explanation to the Finance Council regarding the reasons for his decision.

In order to be effective in their responsibilities as members of the Parish Finance Council, members should have a love for the Church and its mission and develop a thorough understanding of the parish's mission, goals, people and other resources. The members should have knowledge of diocesan statutes and policies regarding temporal issues and other financial matters. It is the pastor's responsibility to give the members appropriate background and enrichment as well as appropriate access to financial data and supporting information.

Recommended Areas for Finance Council Consultation

1. The advice of the Finance Council should be sought both for acts of ordinary administration and acts of extraordinary administration. However, the degree of consultation varies. For certain actions of day-to-day administration, the pastor does not need any specific authorization to carry out such acts but may find it helpful to seek advice of the Parish Finance Council even in these matters. For example, while the purchase of ordinary amounts of office supplies is within the pastor's authority, the Finance Council may provide useful advice on strategies that reduce the cost of such recurring purchases.
2. Diocesan norms require the pastor to consult with the Parish Finance Council at some level of financial commitment. For example, the pastor must consult with the Parish Finance Council regarding any commitment of parish resources over some fixed dollar amount such as \$10,000 or \$25,000. Alternatively, this threshold may be tied to the level of parish income, such as any commitment more than 1% of parish revenue. Commitments would include, but not be limited to, the initiation or modification of purchases, sales, leases, gifts, loans to others, and borrowings.
3. A parish will also need to seek written approval of the diocesan bishop prior to performing extraordinary acts of administration and must consult with his Finance Council prior to seeking approval of his bishop (c. 1281§1). Extraordinary acts of administration are defined by local norms and sometimes by the particular statutes of the parish. Extraordinary acts taken without such approval of the diocesan bishop are invalid acts and

may also be invalid from a civil law standpoint. Examples of actions that some dioceses consider to be extraordinary acts of administration include: instances where the expenditure is greater than a fixed dollar amount such as \$20,000 or \$40,000 as determined in a particular diocese and involves a contract (employment, construction/repair, equipment, consulting, or services such as landscaping or cleaning), the acquisition or alienation of real property, the entering of a lease, the collateralization or mortgaging of real property, the sale of religious artifacts that would be considered as part of a parish's patrimony (e.g. stained glass windows) and other matters.

4. The advice of the Finance Council should be sought in the management of parish funds and banking arrangements. A limited number of bank accounts should be established and procedures for approving new accounts should be in place. The Finance Council should be consulted before a new bank account is opened. This also applies to bank accounts for auxiliary groups.
5. The Finance Council should review the parish annual budget and parish annual report. They should ordinarily be involved in the preparation of both reports, particularly the budget report. After review, the chairperson of the Finance Council is to co-sign each report before it is submitted to the diocesan bishop indicating consultation with the Finance Council.
6. Annually, along with the parish annual report, each parish is required to send a letter to the diocesan bishop containing:
 - a. The names and professional titles of the members of the Parish Finance Council.
 - b. The dates on which the Parish Finance Council met during the fiscal year for which the report was prepared, along with the dates of all meetings since fiscal year end.
 - c. The date(s) on which the approved (i.e. by the Parish Finance Council) parish financial statements/budgets were made available to parishioners during the preceding fiscal year and since the end of the fiscal year. A copy of said published financial statements/budgets should be provided to the bishop.
 - d. A statement signed by the pastor or parish administrator and the Parish Finance Council members that they have met, developed, and discussed the financial statements and budget of the parish.
7. The Finance Council should provide assistance in the formulation and communication of the Annual Financial Report to the parish community, as required by Canon 1287 §2. The Annual Financial Report to the parish community often includes more than just financial information (e.g. description of key issues, programs and events, statistics related to church attendance, sacraments, school and religious education enrollment, etc.). Additionally, many parishes find it helpful to provide parishioners with semi-annual or even quarterly updates on the parish's financial condition. Understandable, regular and complete communication to parishioners is a key responsibility of the parish administrator and an important area for the Parish Finance Council to assist. Communication keeps parishioners informed of the parish's condition, its priorities, its needs, and progress on previously announced initiatives.

8. The Finance Council should review any indebtedness of the parish and assist the pastor in fulfilling his 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 (in some cases local norms require the Finance Council chairperson to co-sign, with the pastor, any parish loan to acknowledge that the loan has been discussed with the Finance Council).
9. Regularly review periodic (at least quarterly) financial reports – balance sheet, income statements, comparisons to budget as well as prior year results and cash flow analysis.
10. Detail of budget to actual comparisons should be reviewed by individual program category, such as the elementary school and religious education. Significant variances from budgeted figures should be investigated and explained.
11. Review of internal control and procedures:
 - a. If written procedures do not exist, participate in the development of written procedures for cash receipts, cash disbursements, and administration of bank accounts, petty cash, and payroll.
 - b. Review the financial reports for parish general operations, parish school(s) and other parish organizations or programs with bank accounts or revenue collection responsibilities, to determine that proper accounting practices and internal control procedures are in place.
 - c. Alternatively, after consultation with the diocesan finance office, the parish may engage a CPA firm to perform an audit, a review, or agreed upon procedures.
12. 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 ensure 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.
13. Consult on the construction or renovation of parish facilities, the sale or purchase of parish property, and lease agreements. The Finance 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.
14. Assess effectiveness of existing fund-raising programs and recommend new programs or changes to existing programs if revenues are insufficient. Support parish and diocesan stewardship programs.
15. Review of fundraising activities, such as raffles, bingo, and concession sales for acquisition of required licenses, support documentation for tax filings, actual filings of tax returns and general compliance with federal, state, and local laws.

16. Provide advice on matters requiring proxies by the parish civil corporation when it is incorporated separately.
17. Become knowledgeable on diocesan fiscal policies and norms to provide advice on implementation. Evaluate compliance with diocesan fiscal policies and assist the pastor in meeting these obligations.
18. Provide advice on what the parish needs to do to comply with diocesan policies and USCCB recommendations with respect to conflicts of interest, protection of whistleblowers and fraud detection, reporting and prevention.
19. Provide advice on how to use undesignated bequests or other unbudgeted revenue.
20. 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.
21. Where possible, help the pastor establish and manage a parish endowment program. Particularly, help ensure 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 ensure 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. Acceptance of an endowment may be considered an act of extraordinary administration, requiring the written permission of the bishop in addition to the approval of the pastor.

MEMBERSHIP

The Parish Finance Council is about the life of a community of faith and, as such, its members should be members of that community of faith. As in other matters, the Pastor may use his discretion in the selection of qualified members from the parish community.

1. Representation

- a. Members should be drawn from the parish community and reflect its diversity. This requirement may be waived if special expertise is sought. Where appropriate, outside advice and counsel can also be engaged to obtain needed specific expertise.
- b. Members of the Parish Finance Council should be chosen based on demonstrable skills or expertise in management and/or finance. Skill sets to consider include business, law, accounting, and communications. Additionally, persons with professional knowledge and experience in engineering, construction, maintenance, and purchasing could also make a significant contribution and should be recruited when available. Expertise can vary widely and include a business executive, accountant, lawyer, and small business owner (any business, even a small neighborhood business). The unique talents within the parish community should be sought. A parish Time, Talent, and Treasure survey may be helpful in identifying parishioners having the desired skills and willingness to serve.

2. Number of Members

- a. Membership should consist of no less than three members.
- b. A quorum shall consist of the majority of members.
- c. It is recommended that the Parish Finance Council have an odd number of members and that, except for unusual circumstances, membership be capped at no more than nine voting members.
- d. It may be helpful to form subcommittees.

3. Officers

- a. The officers of the Parish Finance Council shall be a Chairperson and a Secretary.
- b. The pastor shall appoint the Chairperson after the members have gone through a period of discernment.
- c. The Chairperson will preside in a parliamentary manner at all meetings and, in consultation with the pastor or Parochial Administrator, will be responsible for selecting the hour and location of meetings, preparing the meeting agenda, and any other duties so assigned by the Pastor.

4. Conflicts of Interest/Preclusion to Membership

- a. Parish Finance Council members owe the parish a duty of loyalty. The duty of loyalty requires a Parish Finance Council member to act in the interest of the parish rather than in the personal interest of the member or some other person or organization. In particular, the duty of loyalty requires a Parish Finance Council member to avoid conflicts of interest that are detrimental to the parish.
- b. Any person who may have a conflict of interest in view of other services, either paid or unpaid, rendered to the parish by the Parish Finance Council member, the member's family or the member's business is ineligible to serve as a member of the Parish Finance Council.
- c. On an annual basis the Parish Finance Council members should disclose in writing any known financial interest that the individual, or a member of the individual's family, has in any business entity that transacts business with the parish.
- d. No parish employee or member of the family of an employee or relative of the pastor may serve on the finance council.
- e. Members of the Parish Finance Council may serve in other volunteer service roles in the parish such as other committees or boards if, in the judgment of the pastor, such dual service will not create conflict of interest situations. The role of the Parish Finance Council must never be impaired.
- f. No member should serve on the Parish Finance Council at the same time as a closely related person (e.g. husband and wife, mother and son).

5. Role of Parish Employees

Parish employees are not members of the Parish Finance Council; they are staff and support the Parish Finance Council. Parish employees should be available to answer questions regarding parish programs, accounting, financial reporting, and internal controls. The Finance Council should be provided relevant and timely information including financial reports (balance sheet, income statement, budget to actual comparisons, loan balance payments and interest payments, investment of surplus funds, and status of fundraising drives) to review.

The Parish Business Manager should attend meetings in a consultative capacity. Likewise, when parish buildings and grounds are to be discussed, inviting staff responsible for these areas can enhance the discussion. While staff members may present proposals, answer questions, and explain details, they must remain aware of and allow the Council to discuss and come to a consensus.

6. Acknowledgment of Members

Acknowledge members' contributions to the Finance Council and subcommittees at meetings, in the minutes, in the bulletin and in other appropriate ways.

7. Terms

- a. Members are to be appointed by the pastor for fixed terms to be determined at the local level, and may be reappointed or terminated in this role by the pastor at the pastor's sole discretion. It is suggested that reappointments are limited to a specific period of time. It may be helpful to stagger the terms so that there is continuity of service and no disruption to the function of the Finance Council. For example, a parish may adopt a term of three years, renewable once.
- b. When a pastorate becomes vacant, it is recommended that the Parish Finance Council remain in place to assist the administrator and to provide continuity in a transition. After a suitable period of transition with a new pastor, the new pastor can determine whether to ask the council members to complete their respective terms or to ask some or all of the members to resign so that new members can be recruited to the Parish Finance Council.

MEETING PROTOCOLS

In striving for openness and accountability in its practices, meeting minutes summarizing the items discussed and the decisions reached should be recorded. Prepared agendas, distributed in advance, will keep meetings focused.

Plan meetings in advance and create an annual schedule of meeting dates and times. This will increase participation by members.

1. Schedule Meetings

Schedule meeting times at least once a quarter, or more frequently if required. Some parishes use a format of the finance council meeting every other month with subcommittees meeting during the off months. When the finance council is operating in a healthy environment, their work can encompass 12 meetings per year. Meeting times and dates should be predictable, such as a day and week of each month. Since the purpose of the Parish Finance Council is to provide advice and support to the pastor, the pastor should be present at the Parish Finance Council meetings.

Formulate a communication method among officers to deal with Parish Finance Council matters between meetings.

2. Use of Agendas and Review Materials

Meeting agendas should be prepared in advance of the meeting by consultation between the Pastor and Parish Finance Council Chair. The agenda should list the major items for discussion. Supplying information in advance to members will lead to more productive meetings.

3. Recording of Meeting Minutes

Minutes should be recorded by the Parish Finance Council Secretary and archived as part of the parish permanent record.

4. Confidentiality

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.

Parish Finance Council meetings are typically not open to the parish community. Reports to the community 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 Parish Finance Council is to provide open and honest advice to the pastor, if the meetings occurred in a public forum, the discussion may be too limited. The Finance Council should advise the pastor on the best ways to keep the parish informed and involved in key issues and decisions facing the parish.

5. Record Retention

The parish should retain meeting minutes, agendas, handouts, reports, and materials reviewed during the meeting for future reference by either internal or external parties.

SUBCOMMITTEES

Some parishes may prefer to divide the Finance Council into subcommittees to deal with specific responsibilities and duties. The magnitude and complexity of the different subcommittees depends upon the size, resources, obligations, and needs of each particular parish. The Finance Council coordinates the work of these subcommittees, often by following priorities established by the Parish Pastoral Council.

The work of the subcommittees may encompass the following:

1. Budget Subcommittee

- a. To assist the pastor and parish staff 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. If a Budget Subcommittee is utilized, the final proposed budget should be presented to the entire council for review, before submission to the diocese or publication to parishioners.
- b. To assist other programs and ministries in preparing and submitting their annual budgets to the parish.

- c. To study parish revenue and make recommendations to the Parish Pastoral Council for maintaining and increasing revenues in order to meet parish objectives and priorities.
- d. To periodically (e.g. monthly or quarterly) review income and expenditures and make recommendations as necessary to see that expenses are within set limits. Monitor parish contribution trends.
- e. 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. Consider oral reports to parishioners to elaborate on key results and issues.
- f. 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. 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.
- g. To review periodic financial audits of the parish performed by an independent auditor and provide advice on how to address and correct identified weaknesses.
- h. Assist in communicating results of audits to parishioners.
- i. Conduct self-administered audits of internal controls 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.
- j. To ensure the consistent use of tamper-evident bank deposit bags along with a robust collection and counting procedure for offertory and any significant event or activity handling cash.
- k. To ensure that bank reconciliations are regularly completed very soon after each bank statement is received and that the reconciliations are checked by someone other than the person performing the reconciliation.
- l. To educate parishioners about stewardship and the need for parish involvement and support. If a parish has a separate stewardship committee this responsibility would fall to that committee.
- m. To review cost-cutting measures when necessary.

2. Facilities and Maintenance Subcommittee

- a. Advise the Pastor regarding the results of quarterly inspection of all parish facilities.
- b. Recommend repairs or replacements based on priorities established by these inspections.
- c. Develop a detailed inventory of all parish assets in accordance with Canon 1283 §2 and update the inventory on an annual basis.
- d. Assist in the development of guidelines concerning use of parish facilities.
- e. Assist in the development of parish energy conservation programs.
- f. Develop teams of parishioners who will donate time and talents for parish maintenance tasks, taking note of the extent to which such work is allowed to be performed by volunteers under the guidelines of the diocesan risk management and insurance programs.

- g. Review the parish's risk management and loss prevention reports in order to ensure corrective action is taken where necessary.
- h. Ensure that the safety and security of the parish campus is addressed and reviewed regularly.

3. Financial Planning and Development Subcommittee

- a. To provide long-range planning for both the financial and physical needs of the parish.
- b. 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.

RELATIONSHIP TO PASTORAL COUNCIL

Since the Parish Finance Council relates to the administrative responsibilities of the pastor, it should not be a part of the Parish Pastoral Council structure. However, an officer from the Parish Finance Council may serve as an ex-officio member of the Parish Pastoral Council. Communication between the two councils is essential to share information regarding the parish finances in order to implement the pastoral plans and priorities.

An appropriate means of communication should be developed between the Parish Finance Council and the Parish Pastoral Council to ensure that the Parish Finance Council does not enter into areas of policy and mission, which are the prerogative of the Parish Pastoral Council. The Parish Finance Council advises on the adequacy of resources to accomplish the mission and specific ministries of the parish.

The Parish Finance Council reviews a draft of the parish annual calendar prepared by the Parish Pastoral Council.

RELATIONSHIP TO OTHER PARISH GROUPS/COUNCILS

Although there is no formal reporting process between the Parish Finance Council and other parish groups/councils, the Finance Council should interact with parish groups/councils to study, create, and revise plans for the effective management and use of parish resources.

A 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 90 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.

2. Parish Budget Report

- a. Project and plan resources to meet specified goals.
- 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.
- c. Year over year trend reports for programs, revenues, and expenses are analyzed to plan corrective action.
- d. At least annually, 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 and were for a parish (not personal) purpose.

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 of all groups to the parish.

6. Compliance Oversight

- a. Taxable Activities: review support documentation and tax filings for payroll taxes (including W-2's), bingo, pull-tabs, and concession sales.
- b. Licensing Activities: review support documentation and filings for bingo, pull-tabs, carnivals, raffles and other events that may be restricted by the local municipality.
- c. Payments for Services Provided to Parish: confirm that IRS Form 1099 reports are completed and filed for independent contractors.
- d. Deductions from parish employee pay: confirm that payroll deductions are submitted on a timely basis to the benefit providers.
- e. Confirm that all compensation to employees and contractors, including bonuses or gifts, is reflected appropriately on the respective Form W-2 (for employees) or Form 1099 (for independent contractors).