

Parish Finance Council

CL 10. Each parish must have a finance council as stated in *CIC*, c. 537.

According to the Code of Canon Law, each parish must have a finance council (*CIC*, c. 537). The parish finance council is composed of Catholic faithful who offer advice to the pastor in the administration of the parish's temporal goods.

PURPOSE

The finance council is a consultative body that provides the pastor with advice concerning the stewardship of the parish's fiscal resources. It assists the pastor by:

- Conducting long-range financial planning with regard to funding operational and capital needs in the parish;
- Developing and overseeing a parish budget process which results in an annual parish budget. This process should involve the participation of those responsible for parish programs. It should be so designed that it addresses the parish's priorities and goals as determined by the pastor and parish pastoral council;
- Providing financial analysis of current fiscal status reports;
- Providing fiscal analysis of proposed goals, strategies, programs and administrative aspects of parish life.

While the finance council has significant responsibility for the stewardship of parish financial resources, it is not the role of the finance council to recommend directions, priorities, or programs other than those related to its delegation: namely, fiscal stewardship. For this reason, the other consultative structures must be in place for the finance council to fulfill its role responsibly and effectively.

THE PARISH FINANCE COUNCIL

Purpose

The Finance Council is a consultative body that advises the Pastor/Priest Administrator concerning the stewardship of financial resources.

While the Finance Council has significant responsibility for stewardship of financial resources, it is not the role of the Finance Council to recommend directions, priorities, or programs other than those related to its delegation: fiscal stewardship.

Criteria for Membership

It is important that the Finance Council be composed of individuals who have had experience in the areas of business, finance, and/or accounting. While the Finance Council's membership should be demographically balanced, membership should include individuals who have a working knowledge in the areas of business, finance, and administration. Staff members appointed by the pastor/chaplain to the council are *ex officio* members of the council.

Size

The Finance Council should be large enough to include a broad representation of expertise but not so large as to inhibit planning and the development of recommendations. Five to seven members is recommended.

Selection

Council members should be solicited through an open process which begins with identification of membership needs, followed by recruitment, an application process, interviews, and a selection process by the council itself, the parish council, and final approval by the pastor/chaplain.

Organization

The Finance Council should relate directly to the pastor/chaplain.

Term of Office

Term of office should be three years, once renewable. Terms should be staggered so that membership rotates. It is advisable that members not be eligible for selection to the council until after one year after the completion of their terms. Pastoral considerations such as an ongoing building project may benefit from the stability of having some members renew for additional terms.

SUGGESTED GUIDELINES:

Parish Administrator - Finance Council Relationship

1. The Parish Finance Council is required by Canon Law. The term of office for Finance Council members should be three years, renewable either one or two times. After this, there should be a one-year break before any new series of terms.
2. The Pastor may appoint a Pastoral Assistant for Administration (P.A.A.) as Chief Financial Officer responsible for the day-to-day financial operations of the parish. While the Pastor hires/appoints the P.A.A., the Finance Council should be involved in the selection process for the P.A.A.
3. The Pastor should solicit Finance Council input when completing the annual performance review of the P.A.A.
4. If the P.A.A. and the Finance Council are to be of optimal assistance to the Pastor, they should work as a team to assure that the parish is being well managed financially. The working relationship between the Financial Council Chairperson and the P.A.A is particularly important.
5. The P.A.A. should staff the budgeting process for the Pastor and the Finance Council.
6. The Finance Council Chairperson and P.A.A. should jointly develop the Finance Council meeting and agenda.
7. The P.A.A. should be appointed by the Pastor as either staff for the Finance Council or as his delegate to the Finance Council.
8. The P.A.A. should attend all Finance Council meetings.
9. While the Finance Council is an autonomous group and has a right to direct communication with the Pastor, its regular communication should go through the P.A.A.
10. The Pastor should attend the Finance Council meetings when he feels it is necessary, (e.g. when he wants to hear the discussion as well as the decision regarding a particular issue).
11. Any request from the Finance Council for financial information, data, or assistance from a staff person (e.g., budget status reports), should be made through the P.A.A.

THE PARISH FINANCE COUNCIL

Purpose

The Finance Council is a consultative body which advises the Pastor / Pastoral Life Director concerning the stewardship of parish financial resources.

While the Finance Council has significant responsibility for stewardship of parish financial resources, it is not the role of the Finance Council to recommend directions, priorities, or programs other than those related to its delegation: fiscal stewardship.

THE PARISH PASTORAL COUNCIL

Purpose

The Parish Pastoral Council is a consultative body to the Pastor. The purpose of the Pastoral Council is:

- to form community as a sign and witness of unity for the larger parish community;
- to provide recommendations for parish priorities, directions, and policies through pastoral planning; and
- to promote communication and understanding among parish organizations and between the parish, the Archdiocese, and the universal Church.

CRITERIA FOR MEMBERSHIP

The purpose of the finance council is to provide the pastor, the parish pastoral council, and other leadership bodies with professional financial analysis. For this reason, it is important that the finance council membership should be as balanced as possible (e.g., by gender, age, race, and ethnicity) and composed of people who have had experience in the areas of business, finance, administration and accounting. Staff members appointed by the pastor to the council are *ex officio* members of the council.

CL 11. Members of the finance council must be:

- Baptized and confirmed Roman Catholics in good standing with the Church;**
- Registered and supporting members of the parish;**
- Grounded in and committed to an understanding of the Church in accord with the principles of Vatican II;**
- Committed to prayer, study, listening, and dialogue;**
- Committed to stewardship of time, talent and treasure;**
- Not currently employed by the parish or parish school or a close relative or in-law of or living in the same household as a parish or school employee;**
- Not simultaneously a member of the parish pastoral council.**

SIZE

The council should be large enough to include a broad representation of expertise, but not so large as to inhibit planning and the development of recommendations. Membership of five to seven persons is recommended.

SELECTION

Council members should be solicited through an open search process that begins with an identification of membership needs, followed by recruitment, an application process, interviews, and a selection or discernment process. The pastor makes the final decision concerning the method of selection.

TERM OF OFFICE

CL 12. Terms of office should be three years, renewable once. Pastoral considerations such as an ongoing building project may benefit from the stability of having some members renew for additional terms.

ALL ABOUT BUDGETS

What is a Budget? - a financial expression of the Parish Mission

Why have a Budget? - to insure the financial stability of the parish

Types of Budgets:

- Parish Operating Budget - includes Revenues & Expenditures
- Capital Budget - includes Major Facilities

Periods of time covered by Budgets:

- Parish Operating Budget: 1 year
- Capital Budget: more than 1 year.
- Long Range Financial Plan: 3-5 years.

ROLE OF THE PARISH FINANCE COUNCIL IN THE BUDGET PROCESS

Note: The role of the Parish Pastoral Council is to recommend priorities to the Pastor.

PRELIMINARY BUDGET DEVELOPMENT

- 1) **Revenue Projections**
Project revenue independently. Don't start with costs and then plug in revenue to balance.
- 2) **Determine Essential Costs**
Determine the amount necessary to fund Insurance, Utilities, Assessments and other "must fund" costs. Deduct this amount prior to establishing the Guidelines below.
- 3) **Develop Guidelines and Timelines for Budget Development**
Note: In a school parish, the school subsidy must be established early in the program - preferably January.
 - a) Provide departments with salary increase levels (set centrally by committee with pastor's approval - not by department heads).
 - b) Provide departments with levels for inflation increase.
 - c) Provide direction in developing budget options based on the ideal situation and reality.
 - d) Direct departments to submit new program areas based on parish priorities. (Keep these programs separate so their impacts can be assessed individually.)
- 4) **Capital Budget Development**
If possible, the capital budget should be developed by the Facilities Committee, which may or may not be a subcommittee of the Finance Council, but which should always work through the Finance Council. Keep capital items as a line item in the operating budget (e.g., Reserve for Capital Expenditures).

COMMUNICATION AND CONSULTATION

- 5) **Collect Budgets and Review with Individuals or Committees**
Review budget submissions with department and committee leaders. This step does not result in budget approval. The purpose is to familiarize the Finance Council with the details of the department/ committee budget.
- 6) **Total All Budgets**
 - a) Include Pastor's Discretionary Fund as a line item.
 - b) Develop optional balanced budgets based on parish priorities.
 - c) Meet with the Pastor and the PAA (if applicable) to review options for a balanced budget based on identified priorities.
- 7) **Make sure the Pastor Can Live with All Proposed Budget Options**
Ideally, the Pastor should see at least two, and not more than four, options.

BUDGET APPROVAL PROCESS

- 8) **Present Budget Options to Pastoral Council**
- 9) **Pastoral Council Recommends Final Option(s) to Pastor.**

MONITORING ACTUAL VS. BUDGETED RESULTS

- 10) **Monitor Actual Results vs. Budget on a Monthly or Quarterly Basis Depending On Need**

BASIC FINANCIAL GUIDELINES FOR PARISHES

A Parish's Financial Condition Reflects Its Overall Health

Finances are usually a reliable barometer of general parish life. Remember that the financial condition of a parish is always the *result* of both external and internal factors.

Financial Reports Must Be Understandable

The financial reports you receive must be understandable. You and the Pastoral Council should receive summary reports unless there is a crisis. The Finance Council should be well informed but should not normally spend entire meetings pouring over multi-page detailed statements. A detailed review by the Finance Council at the start of the budget process and at the end of the year should be adequate unless a crisis or significant budget variances create the need for corrective action.

Parish Bookkeeping Is More Than Keeping the Checkbook

Pastors must make sure a capable financial person is in place. Keeping parish books is not extremely difficult but is more complicated than maintaining a checkbook. The parish financial person should understand double entry accounting or an accountant should review the financial records regularly. A computerized accounting system is worthless without adequate training for the people operating it.

Some Practical Budgeting Suggestions:

1. Budget income must be realistic. Use previous history unless specific revenue enhancement plans are in place. Above all, be conservative.
2. Regular operations should be run out of regular income. Special fund-raisers are unpredictable. Reliance on fund-raising to support general parish operations can turn them from community builders to pressure cookers.
3. No new programs or positions should be established without assurance of funding for three years.
4. Rental or lease income should be reserved for maintenance needs of the rented or leased facility, not for parish operations.
5. Capital maintenance and improvements should be a budget line item.

Three Main Causes of Parish Financial Problems:

1. Unrealistic budgeting, especially overly optimistic revenue projections.
2. Failure to plan for major repairs or equipment replacement.
3. Building or renovation beyond the parish's financial capability.

BASIC FINANCIAL GUIDELINES FOR PARISHES

- **Financial Condition Reflects Overall Health**
- **Financial Reports Must Be Understandable**
- **Bookkeeping Is More Than Keeping the Checkbook**
- **Five Practical Budgeting Suggestions:**
 1. Budget income must be realistic.
 2. Regular operations should be run out of regular income.
 3. No new programs or positions should be established without assurance of funding for 3 years.
 4. Rental / lease income should be reserved for maintenance needs of the rented / leased facility.
 5. Capital Maintenance and Improvements should be a budget line item.
- **Three Causes of Financial Problems:**
 1. Unrealistic budgeting
 2. Failure to plan for major repairs / equipment
 3. Building or renovation beyond financial capability

Parish Fund Raising

Annual Programs

- Sacrificial Giving
- Annual Catholic Appeal
- Mandatory Special Collections
- Annual School Appeal

Capital Campaign

- Over and above annual giving
- Typically, not more than “once in a generation.”
- Normally 3-5 year pledges
- Major Gifts

Deferred Giving

- Endowment
- Wills – Bequests
- Charitable Trusts

Other Fund Raising

- Auctions
- Raffles
- Bazaars

ARCHDIOCESAN SAVINGS & LOAN SYSTEM

Types of Savings & Loan Funds:

PRF - Parish Revolving Fund
ARF - Archdiocesan Revolving Fund
NPF - New Parish Fund

PRF

- The PRF encourages parishes to aid each other financially by investing in parish growth/needs.
- Loan decisions are made by the PRF Commission.
- To initiate loan process, parishes contact Parish Financial Services. Interest rates on loans are 6.75%.
- Savings accounts are demand deposits. Interest rates on savings are 5%.
- Checks are sent by the 2nd work day after receipt of the withdrawal request.
- Statements are mailed quarterly.