

The Role of Finance Councils



**Diocese of Winona-Rochester-
Rochester**

Finance Office

Agenda

1. U.S. Conference of Catholic Bishops: Parish Finance Council Charter
2. Parish Finance Councils in the Diocese of Winona-Rochester
3. Components of a Financially Accountable Parish



U.S. Conference of Catholic Bishops

Parish Finance Council Charter



Parish Finance Council Charter - Sample

1. Advise the pastor on all acts of extraordinary administration, before he seeks the approval of the Diocesan Bishop
 - ▣ Acts of Extraordinary Administration – Examples include:
 - Diocesan norms require the pastor to consult with the Parish Finance Council and request Chancery approval for all commitments of parish resources of \$10,000 (*DOW-R*) and above.
 - Acquisition or alienation of real property
 - Entering of a real estate lease
 - Signing of certain contracts
 - Sale of religious artifacts that would be considered part of the parish's patrimony (e.g. stained glass windows)
 - Collateralization or mortgaging of real property (not common in the Diocese of Winona-Rochester)
 - Other significant matters.



Sample Charter, *continued*

- ▣ Acts of Major Importance *(DOW-R)*
 - Purchase of a parish car
 - Replacing all hymnals/missals in the church
 - Remodeling a room
 - Landscaping property
 - Financial involvement of the parish in ecumenical or local community programs/projects
 - Maintenance / repair projects that are not routine, but do not need proxies from the bishop and vicar general



Sample Charter, *continued*

2. Advise the pastor on acts of ordinary administration:
 - ▣ Examples of ordinary acts of administration include:
 - The collection of:
 - Money acquired in approved ways
 - Debts from creditors (unless court action is required)
 - Annual income from stocks, shares or bonds
 - Buying and selling what is required for the daily maintenance of the parish.
 - Maintenance and repair of church property (with limits)
 - Bookkeeping



Sample Charter, *continued*

- Examples of ordinary acts, *continued*:
 - Acceptance of donations (to which no conditions are attached)
 - The payment of salaries and other recurring debts (supplies, utilities, diocesan assessment, etc).
 - Certain short-term leases (renting the parish hall, etc).



Administration Matrix (DOW-R)

Ordinary Administration	Acts of Major Importance	Extraordinary Administration
<p>Pastor can complete alone. Normally the parish administrator and/or bookkeeper will take care of these routine matters.</p>	<p>Pastor should consult the Finance Council and inform the Parish Pastoral Council.</p>	<p>Pastor should have consent of the Finance Council and the favorable recommendation of the Parish Pastoral Council.</p>
<p>Recurring, routine, no set limit financially.</p>	<p>Tied into financial situations of the parish. Would not be recurring or routine. The Bishop can determine which acts are of major importance.</p>	<p>Need proxies to proceed. Set by Minnesota Corporation Law and Diocese of Winona-Rochester policy. (\$10,000 or more)</p>



Sample Charter, *continued*

3. Participate in developing the parish annual budget and recommend the final budget for approval.
4. Review the completed financial reports to the Diocese, taking care to ensure that all reports have been accurately and completely prepared.
5. Review the interim (at least quarterly) financial statements of the parish and provide periodic financial reports (at least quarterly) to the Pastoral Council. The Finance Council should address significant revenue and expense variances from the approved budget.



Sample Charter, *continued*

6. Semiannually (within 60 days of period-end) each parish is required to send a letter to the diocesan bishop certifying to the activities of the parish finance council that is signed by the pastor and each finance council member. Review the completed financial reports to the Diocese, taking care to ensure that all reports have been accurately and completely prepared.



Certification Letter

- Elements of letter signed by the pastor and members of the parish finance council:
 - Names and occupations of members
 - Copies of the most recent period-end published financial statements and the current year annual budget
 - Dates that reflect when...
 - ...The previous fiscal period-end financial reports were made available to parishioners
 - ...The current year budget was made available to parishioners
 - ...The interim financial statements were made available to parishioners
 - ...Finance council meetings are held and/or scheduled.



Certification Letter, *continued*

□ Elements, *continued*...

□ Certification...

- ...That the previous fiscal period-end report is accurate and complete to the best of members' knowledge.
- ...That the Council reviews and discusses the budget and financial statements.
- ...That members have read the PFC guidelines, acknowledge responsibility to comply and to contact diocesan Finance Office with concerns about parish finances not being appropriately addressed.



Sample Charter, *continued*

7. Provide assistance in the formulation and communication of the mid-year and annual financial reports to the parish community.
8. Assess offertory giving levels and the effectiveness of existing fund-raising programs and recommend new programs, changes to, or the abrogation of, existing programs. The Finance Council should coordinate all fund-raising programs and support parish and diocesan stewardship programs.



Sample Charter, *continued*

9. Provide advice on the use of undesignated bequests or other unbudgeted revenue.
10. Review fundraising activities, such as raffles, bingo, and concession sales for compliance with diocesan policies, including cash deposit procedures, the obtaining of required licenses, required documentation for tax filings, and the actual tax filings.



Sample Charter, *continued*

11. Oversee the management of parish funds and banking arrangements.
12. At least one appointed member of the Finance Council is to review the bank reconciliations, bank statements and cancelled checks for all parish bank accounts at least four times per year.
13. Assist the pastor in establishing and managing a parish endowment program. The Finance Council should also review any restricted gifts to ensure that the parish can accept the restriction and, once accepted, that the funds are spent consistent with the donor restriction(s).



Sample Charter, *continued*

14. Review any indebtedness of the parish and assist in developing the plan for repayment. The Finance Council should review the circumstances associated with, and the plan for repayment of, any plan to incur additional debt. They must approve the request before it is submitted to the Chancery.



Sample Charter, *continued*

15. Advise the pastor 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.
 - ▣ The Finance Council should review maintenance and utility costs seeking to minimize costs through preventative maintenance, energy conservation, and the implementation of risk management programs and recommendations.



Sample Charter, *continued*

16. Review the parish's internal controls and accounting procedures. The Finance Council should become knowledgeable of the financial policies and procedures contained in Diocese of Winona-Rochester Financial Policies and Procedures Manual.
17. Participate in the completion of the Internal Control Questionnaire, sign completed form, and submit to the diocesan Finance Office within 60 days of each fiscal year-end.



Sample Charter, *continued*

18. Review the activities and financial reports of all parish auxiliary groups, as well as reviewing their accounting practices and internal control procedures to insure compliance with diocesan policies and reviewing the activities of the auxiliary groups to ensure that they are not jeopardizing the tax-exempt status of the parish.



Sample Charter, *continued*

19. Inquire about complaints received with regard to the Code of Ethics, provide advice on what the parish needs to do to comply with diocesan policies with respect to conflicts of interest, protection of whistleblowers and fraud detection, reporting and prevention.
20. Advise the pastor on hiring and evaluating a parish administrator, accountant or similar position



Why is all this necessary?

- Potential cost to the Church
- Potential increase in governmental regulation
- Loss of the faithful
- It's the right thing to do!



Parish Finance Councils

...In the Diocese of Winona-Rochester



Establishment of Finance Council

- The Code of Canon Law states -(*Canon 537*):
 - "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 prescriptions of *Canon 532*."



Parish Finance Councils

□ Membership

- The council has at least three members: lay, religious or clergy (other than the pastor). In addition to integrity of life and involvement in the parish, each is to be knowledgeable about financial and/or civil law affairs
- The pastor appoints the members for a three-year term; persons related to the pastor or having a direct financial interest in the parish should not be appointed.
- Members' terms do not end when the pastor leaves; they remain a consultative group for the next pastor or for the parish administrator in the interim.



Parish Finance Councils, *continued*

□ Responsibilities

- ▣ Members are to be familiar with the finances of the parish including income and expenditures, investments and indebtedness, and diocesan obligations.
- ▣ While it is not a committee of the Parish Pastoral Council, the Finance Council is to communicate and work closely with the Pastoral Council.



Parish Finance Councils, *continued*

- *Responsibilities, continued*
 - ▣ The Council is to advise the pastor in the following:
 - Drawing up a budget and making periodic financial reports to the parishioners and to the diocese
 - Long-range financial planning and fund raising
 - Compliance with civil laws in parish administration
 - Seeing to construction and maintenance of parish buildings and grounds
 - Reviewing parish cemetery finances



Parish Finance Councils, *continued*

□ Officers

- The pastor, as president, sees to the presentation of the agenda, and presides at each meeting, either personally or through a delegate
- A chairperson may be appointed by the president to conduct the meetings.
- A secretary is appointed to take the minutes



Parish Finance Councils, *continued*

□ Meetings

- Meetings are held regularly as determined by the president
- Individuals or groups from the parish may be invited to address the Council.
- Maintain proper record retention *(USCCB)*
- Uphold confidentiality *(USCCB)*



Components of a Financially Accountable Parish

What does a financially accountable parish look like?



Financial Indicators

- Revenues exceed expenditures
- Current on all financial obligations
 - ▣ Diocesan Assessment & Invoices
 - ▣ Operating Bills
- Ample operating reserves
- Exceeds Annual Catholic Ministry Appeal goal
- Average household church support exceeds deanery average



Bookkeeping

- Monthly financial report
 - ▣ Complete by the 15th of the new month
 - ▣ Current bank reconciliations
- Timely financial reporting
 - ▣ Diocesan annual report
 - ▣ Report all income and accounts
- Accurate and current accounts payable
 - ▣ Assessments
 - ▣ Operating Bills
 - ▣ Federal and State payroll taxes current



Bookkeeping, *continued*

- Internal Controls
 - ▣ Bookkeeper not an authorized check signer
 - ▣ Bookkeeper does not count collection
- Appropriate accounting software:
 - ▣ ParishSoft Accounting Software
- Utilizes and adheres to standard Diocese of Winona-Rochester chart of accounts



Employment Practices

- Lay employees offered Diocesan benefits
- Priests compensated according to policy
- Government regulations adhered to
 - Family and Medical Leave Act (FMLA)
 - Consolidated Omnibus Budget Reconciliation Act (COBRA)
 - Health Insurance Portability and Accountability Act (HIPAA)
 - Americans with Disabilities Act (ADA)



Risk Management

- Immediately correct any deficiencies sighted on annual risk inspection
- Have an active building and grounds committee
- Good stewards of parish facilities, keeping them well-maintained and in safe condition
- Professionally remove asbestos
- Criminal background checks on employees and volunteers



Parish Membership will have...

- An understanding of the financial condition of the parish
- Confidence in the internal controls of the parish
- A personal understanding of stewardship and sacrificial giving
- An awareness of parish financial needs



Who Owns Our Parish?

- Parishes in the Diocese of Winona-Rochester are separately incorporated as not-for-profit 501(C)(3) corporations in the State of Minnesota.
- Civil Board and Officers are:
 - ▣ Bishop, President
 - ▣ Vicar General, Vice President
 - ▣ Pastor, Secretary
 - ▣ Two lay trustees



What control do the people have over Diocesan and Parish spending?

- Bishop is Shepherd of the Diocese
 - ▣ College of Consultors
 - ▣ Presbyterial Council
 - ▣ Diocesan Finance Council
 - ▣ Diocesan Pastoral Council
 - ▣ Curia
- Pastor is charged with “shepherding” the parish
- Advisors to the Pastor:
 - ▣ Lay trustees
 - ▣ Finance Council



Who is Responsible for Parish Debt?

- The parish (separate Civil and Canonical institution) is responsible for any debt.
- Pastor, in consultation with Parish Finance Council, Lay Trustees and Diocesan staff develops action plan to address debt issues.



Resources

- Online www.dowr.org
 - ▣ Diocese of Winona-Rochester
 - Finance Procedures and Policies Manual
 - www.dowr.org/offices/finance/policy-manual.html
 - Cemetery Regulations
 - www.dowr.org/offices/catholic-cemeteries/catholic-cemeteries.html
 - Employee Benefits Manual
 - www.dowr.org/offices/human-resources/index.html
 - ▣ U.S. Conference of Catholic Bishops
 - Stewardship: A Disciples Response
 - www.usccb.org



Questions?

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