

# ROMAN CATHOLIC DIOCESE OF CHARLOTTE

## PARISH FINANCE COUNCIL GUIDELINES

*Revised: April, 2008*

This document is intended as an overview of the responsibilities and role of the Parish Finance Council as defined by Canon Law, Norms of the Diocese of Charlotte and best practices of parish administration. An active and well-formed Parish Finance Council is an important and necessary support to the pastor/parish administrator in fulfilling his responsibility for the administration of the temporal goods of the parish. The Parish Finance Council supports good financial governance of a parish, promotes high standards of fiscal integrity and provides accountability to the diocese and to the parishioners.

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## **INTRODUCTION AND BACKGROUND**

The Parish Finance Council assists the pastor in the administration of parish temporal matters. These guidelines are designed to aid pastors and Finance Council members in the effective functioning of a Parish Finance Council, which is to support the pastor in his stewardship of parish resources while being accountable to the parish and the diocesan bishop. An active, well-formed Parish Finance Council is a key element in 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.”<sup>1</sup>

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.”

Every parish therefore is required to have a Parish Finance Council, both by adherence to the Code of Canon Law and by local norms issued by the diocesan bishop. To be effective the Parish Finance Council should meet regularly with specific agendas and should have access to all the relevant financial information and policies of the parish.

## **COMPETENCE**

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 is a consultative body that assists the pastor in meeting these obligations. While 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.

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 must 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 guidelines and policies regarding temporal issues and other financial matters.

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<sup>1</sup> Note: the full texts of Canons 1281-1288 may be found in the Appendix to this document.

It is the pastor's responsibility to give the members appropriate background and enrichment so they are able to carry out their duties effectively.

## **RESPONSIBILITIES OF THE PARISH FINANCE COUNCIL**

1. The advice of the Finance Council is to be sought for all acts of extraordinary administration. The pastor must consult with his Finance Council prior to seeking approval of the diocesan bishop. The pastor will then request approval of the diocesan bishop prior to performing extraordinary acts of administration (c. 1281, §1). 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 extraordinary acts of administration include: the acquisition or alienation of real property, the entering of a real estate lease, the collateralization or mortgaging of real property, the signing of certain contracts, the sale of religious artifacts that would be considered part of the parish's patrimony (e.g. stained glass windows) and other matters. In addition, diocesan norms require the pastor to consult with the Parish Finance Council and request Chancery approval for all commitments of parish resources of \$5,000 and above.

2. The advice of the Finance Council should also be sought for acts of ordinary administration. The pastor may find it helpful to seek the advice of the Parish Finance Council even for routine actions of day-to-day administration. For example, while the purchase of ordinary amounts of office supplies is a routine activity, the Finance Council may provide useful advice on strategies to reduce the cost of such recurring purchases.

3. The Finance Council should participate in developing the parish annual budget. Additionally, they should recommend the final budget for approval, and participate in the communication of the annual budget to the parish community.

4. The Finance Council should review the complete parish mid-year and year-end financial reports to the Diocese, taking care to ensure that all reports have been accurately and completely prepared. The review should include a comparison of the amounts on the reports to the financial records of the parish. There should be a detail review of the reconciliation of the change in cash position and the change in net assets from the beginning to the end of the period, as shown in schedule L.

5. The Finance Council should review the interim (at least quarterly) financial statements of the parish. They should 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, and should review actual to budget comparisons by individual program categories, such as the elementary school and religious education program. Significant variances from budgeted amounts should be investigated and explained.

6. Semi-annually (within 60 days of period-end) each parish is required to send a letter to the diocesan bishop containing:

- a. The date on which the previous fiscal period-end financial report was made available to parishioners,
- b. The date on which the budget for the current fiscal year was made available to parishioners,
- c. the date(s) on which interim financial statements were made available to parishioners during the previous six-month period,

- d. the dates on which the Parish Finance Council met during, and since, the previous six-month period,
- e. the names and occupations of the members of the Parish Finance Council,
- f. certification that the previous fiscal period-end financial report to parishioners represents, to the best of the Parish Finance Council's knowledge and belief, an accurate and complete accounting of parish finances,
- g. certification that the Parish Finance Council regularly reviews and discusses the budget and periodic financial statements of the parish,
- h. certification that the Parish Finance Council members have read the Diocese of Charlotte Parish Finance Council Guidelines, acknowledge responsibility to comply with the guidelines and to contact the diocesan Finance Office with concerns about any aspect of parish finances that are not being appropriately addressed,
- i. the signatures of the Pastor and Parish Finance Council members attesting to the above items.

Copies of the most recent fiscal period-end published financial statements and the current fiscal year annual budget are to be submitted with the letter.

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, the Finance Council is to participate in the preparation of the Mid-year Financial Report to the parish community. Understandable, regular and complete communication to parishioners is a key responsibility of the pastor 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 assess offertory giving levels and the effectiveness of existing fund-raising programs and recommend new programs, changes to, or the abrogation of, existing programs. They should coordinate all fund-raising programs and support parish and diocesan stewardship programs.

9. The Finance Council is to provide advice on the use of undesignated bequests or other unbudgeted revenue, and ensure compliance with diocesan policy that at least 50% of undesignated bequests of \$10,000 and above be invested in an endowment with the diocesan foundation earmarked for the parish.

10. The Finance Council should periodically 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

11. The Finance Council should oversee the management of parish funds and banking arrangements. Each parish is limited in the number of bank accounts that may be established. The Finance Council should review the circumstances associated with a request for a new bank account and approve said request before it is submitted to the Chancery. This also applies to bank accounts for auxiliary groups. The Finance Council should recommend the appropriate amount of funds to be on deposit in the checking account, and in savings and investment accounts.

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. The Finance Council should assist the pastor in establishing and managing a parish endowment program, insuring that the purposes of endowments are well-defined and consistent with the long-term needs and life of the parish. They 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).

14. The Finance Council should review any indebtedness of the parish and assist the pastor in fulfilling his obligations under canon 1284, §2, 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. The Finance Council should review the circumstances associated with, and the plan for repayment of, any plan to incur additional debt. The Finance Council must approve the request before it is submitted to the Chancery.

15. The Finance Council should 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.

16. The Finance Council should review the parish’s internal controls and accounting procedures. They should become knowledgeable of the financial policies and procedures contained in The Diocese of Charlotte Financial Policies and Procedures Manual for Parishes, Missions and Schools (the Manual). The Finance Council should review procedures for parish operations, the parish school and other parish organizations or programs, as well as auxiliary associations, to determine compliance with the Manual and whether proper accounting practices and internal control procedures are in place, and whether the parish is in compliance with all statutory requirements. They should also advise and assist parish staff in the implementation of policies and procedures. If written procedures do not exist at the parish, the Finance Council should participate in the development of written procedures for cash receipts, cash disbursements, administration of cash activity (including offertory procedures), and payroll.

17. The Finance Council should review the activities and financial reports of all parish auxiliary groups. Each auxiliary group is required to submit a quarterly financial statement to the pastor, consisting of all revenues and expenses, and a reconciliation of the quarterly activity to the beginning and ending cash balances. The Finance Council is to assess the accounting practices and internal control procedures in use to insure compliance with diocesan policies and is to review the activities of the auxiliary groups to ensure that they are not jeopardizing the tax-exempt status of the parish.

18. The Finance Council should routinely inquire about complaints received with regard to the Code of Ethics Policy of the Diocese of Charlotte, and 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.

19. The Finance Council should provide advice on hiring and evaluating a business manager, accountant or similar position.

## **MEMBERSHIP**

The Parish Finance Council is about the life of a community of faith and, as such, its members should be practicing members of that community of faith. The Pastor may use his discretion in the selection of reputable, qualified members from the parish community. The Pastor is an ex-officio member of the Parish Finance Council.

### **1. Representation**

Members should be selected from the parish community and reflect its diversity. This requirement may be waived if special expertise is sought. Where appropriate, outside advice and counsel may also be engaged to obtain needed specific expertise.

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. 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**

Membership should consist of no less than three members. A quorum shall consist of the majority of members. It is recommended that the Parish Finance Council have an odd number of members and that, except for unusual circumstances, membership be capped at nine voting members.

### **3. Officers**

The officers of the Parish Finance Council shall be a Chairperson and a Secretary. The pastor shall appoint the Chairperson after the members have gone through a period of discernment.

The Chairperson will preside in a parliamentary manner at all meetings and, in consultation with the pastor, will be responsible for selecting the time and location of meetings, preparing the meeting agenda, and any other duties so assigned by the pastor.

The Secretary will be responsible for the recording and distribution of minutes, notifying members of upcoming meetings, maintaining a permanent record of each member's tenure and of business conducted by the Parish Finance Council, and any other duties so assigned by the Chairperson or pastor.

### **4. Conflicts of Interest / Preclusion to Membership**

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 any other person or organization. In particular, the duty of loyalty re-

quires a Parish Finance Council member to avoid conflicts of interest that are detrimental to the parish.

Any person who has 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.

On an annual basis Parish Finance Council members should confirm, in writing, that there are no known conflicts of interest, or disclose any potential conflict of interest, such as a financial interest that the individual, or a member of the individual's family, has in an entity that transacts business with the parish. In the event a change in circumstances gives rise to a real or potential conflict of interest, the situation should be disclosed in writing and submitted to the pastor on a timely basis.

No parish employee or family member of an employee or relative of the pastor or any parochial vicars may serve on the finance council.

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 should not be viti-ated.

No person may serve on the Parish Finance Council at the same time as a closely related person (e.g. husband and wife, mother and son, etc).

#### 5. Role of Parish Employee

Parish employees are not members of the Parish Finance Council; however, they may serve as staff to 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, debt service schedules, investment schedules, and status reports on fundraising activities) to review.

The parish accountant (or Business Manager or bookkeeper) should normally attend meetings in a consultative, non-voting capacity. Likewise, when parish buildings and grounds are to be discussed, it is appropriate for staff responsible for these functions to attend the meeting.

#### 6. Terms

Members are to be appointed by the pastor for fixed terms of three years, and may be reappointed to a second term or terminated in this role by the pastor at the pastor's discretion. 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.

When a pastorate becomes vacant, the Parish Finance Council should remain in place to assist the administrator and to provide continuity throughout the transition.

## **MEETING PROTOCOLS**

### 1. Scheduled Meetings

Meetings should be scheduled in advance for a specified period, typically a year. Meetings must be held no less frequently than once a quarter, but preferably monthly. As the purpose of the Parish Finance Council is to provide advice and support to the pastor, the pastor should be present at all Parish Finance Council meetings.

The Finance Council and pastor should formulate a communication method among members to address 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, circulated among the members for their review and officially accepted by majority vote. They should be archived as part of the parish permanent record.

### 4. Confidentiality

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

### 5. Visitors/Communications

Parish Finance Council meetings are typically open to the parish community. If there are sensitive or confidential matters to address, a special session can be scheduled that is not open to the parish community. It is appropriate to keep the entire parish community informed of major issues. This could be accomplished via letters, bulletin articles, pulpit announcements, and/or publication of meeting minutes. 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.

### 6. 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**

It may be appropriate to establish 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 subcommittees may be composed of either, or both, Finance Council members and non-Finance Council members. The

subcommittees may be permanent or limited in duration to the accomplishment of a specific assignment. The Finance Council coordinates the work of these subcommittees.

The work of the subcommittees may encompass the following:

1. Budget Subcommittee

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. The approved budget should be published and made available to parishioners.

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; and to monitor contribution trends.

To periodically (e.g. monthly or quarterly) review income and expenditures and make recommendations as necessary to see that expenses are within set limits.

To provide parishioners with periodic (at least annually), comprehensive reports on the parish's financial position, including a statement of activity and balance sheet.

To review internal controls and offertory procedures, and prepare recommendations for improved procedures.

To ensure that bank reconciliations are regularly completed very soon after each bank statement is received; and to review the bank statements, returned checks (or check facsimiles), and reconciliations at least four times per year.

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.

To identify cost-cutting measures when necessary.

2. Facilities and Maintenance Subcommittee

Advise the Pastor regarding the results of quarterly inspection of all parish facilities.

Recommend repairs or replacements based on priorities established by these inspections.

Develop a detailed inventory of all parish assets in accordance with Canon 1283, §2 and update the inventory on an annual basis.

Assist in the development of guidelines concerning the use of parish facilities.

Assist in the development of parish energy conservation programs.

Develop teams of parishioners who will donate time and talent 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.

Review the parish's risk management and loss prevention reports in order to insure corrective action is taken where necessary.

Ensure that the safety and security of the parish campus is addressed and reviewed regularly.

### 3. Financial Planning and Development Subcommittee

To provide long-range planning for both the financial and physical needs of the parish, by working closely with the budget and maintenance subcommittees, the Parish Pastoral Council, and other parish organizations.

## **RELATIONSHIP TO PASTORAL AND OTHER COUNCILS**

The development of the parish pastoral plan is the ideal time for the pastoral and finance councils to collaborate in outlining the goals of the parish. Communication between the two councils is essential to share information regarding the parish finances in order to implement the pastoral plans and priorities. It is the role of the pastoral council to prioritize the goals of each commission as part of the pastoral planning process. Based on these goals, the various commissions prepare budgets for review by the parish finance council. It is the responsibility of the parish finance council to determine the adequacy of resources to fund the activities of the commissions, specific parish ministries and operating expenses of the parish. If there is a budget shortfall, the finance and pastoral councils should collaborate to resolve the matter. Ultimately, it is the role of the parish finance council to recommend the final budget to the pastor for his approval.

To maintain open communication, it is recommended that a person from the pastoral council serve as an ex-officio member on the finance council. The finance council, likewise, should appoint an ex-officio member to the pastoral council.

An appropriate means of communication should be developed between the Parish Finance Council and other parish groups and councils. It may be useful to assign a liaison between 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.

## Appendix

### References – Canons 1281-1288

#### Canon 1281

§1 – With due regard for the prescriptions of their statutes, administrators invalidly posit acts which go beyond the limits and procedures of ordinary administration unless they first obtain written authority from the ordinary.

§2 – The acts which go beyond the limits and procedures of ordinary administration are to be defined in the statutes; if, however, the statutes do not mention such acts, it is within the competence of the diocesan bishop to determine such acts for persons subject to him after he has heard the finance council.

§3 – Unless and to the extent that it is to its own advantage, a juridic person is not held to answer for acts invalidly posited by its administrators. A juridic person, however, is responsible for acts illegitimately but validly posited by its administrators with due regard for the right to sue or to have recourse against administrators who have damaged it.

Canon 1282 – All clerics or lay persons who through a legitimate title take part in the administration of ecclesiastical goods are bound to fulfill their duties in the name of the Church and in accord with the norm of law.

Canon 1283 – Before administrators take office:

- 1° – they must take an oath before the ordinary or his delegate that they will be efficient and faithful administrators;
- 2° – they are to prepare, sign and subsequently renew an accurate and detailed inventory of immovable goods, movable goods, either precious or of significant cultural value, or other goods along with a description and appraisal of them;
- 3° – one copy of this inventory is to be kept in the archives of the administration; the other, in the curial archives; any change whatever which the patrimony may undergo is to be noted on each copy.

#### Canon 1284

§1 – All administrators are bound to fulfill their office with the diligence of a good housekeeper.

§2 – For this reason they must:

- 1° – take care that none of the goods entrusted to their care is in any way lost or damaged and take out insurance policies for this purpose, insofar as such is necessary;
- 2° – take care that the ownership of ecclesiastical goods is safeguarded through civilly valid methods;
- 3° – observe the prescriptions of both canon and civil law or those imposed by the founder, donor or legitimate authority; they must especially be on guard lest the Church be harmed through the non-observance of civil laws;
- 4° – accurately collect the revenues and income of goods when they are legally due, safeguard them once collected and apply them according to the intention of the founder or according to legitimate norms;
- 5° – 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;
- 6° – with the consent of the ordinary invest the money which is left over after expenses and which can be profitably allocated for the goals of the juridic person;

- 7° – keep well ordered books of receipts and expenditures;
- 8° – draw up a report on their administration at the end of each year;
- 9° – duly arrange and keep in a suitable and safe archive the documents and deeds upon which are based the rights of the Church or the institution to its goods; deposit authentic copies of them in the archive of the curia when it can be done conveniently.

§3 – It is strongly recommended that administrators prepare annual budgets of receipts and expenditures; however, it is left to particular law to issue regulations concerning such budgets and to determine more precisely how they are to be presented.

Canon 1285 – Within the limits of ordinary administration only, it is permissible for administrators to make donations for purposes of piety or Christian charity from movable goods which do not pertain to the stable patrimony.

Canon 1286 – Administrators of goods:

- 1° – are to observe meticulously the civil laws pertaining to labor and social policy according to Church principles in the employment of workers;
- 2° – are to pay employees a just and decent wage so that they may provide appropriately for their needs and those of their family.

Canon 1287

§1 – Both clerical and lay administrators of any ecclesiastical goods whatsoever which have not been legitimately exempted from the governing power of the diocesan bishop are bound by their office to present the local ordinary with an annual report, which in turn he is to present to the finance council for its consideration; any contrary custom is reprobated.

§2 – Administrators are to render an account to the faithful concerning the goods offered by the faithful to the Church, according to norms to be determined by particular law.

Canon 1288 – Administrators are neither to initiate nor to contest a lawsuit on behalf of a public juridic person in civil court unless they obtain the written permission of their own ordinary.

Definition: A juridic person is an artificial person constituted by competent ecclesiastical authority for an apostolic purpose, with a capacity for continuous existence and with canonical rights and duties like those of a natural person. Like a civil-law corporation, it is a legal construct which can and must be conceived of apart from the natural persons who constitute it, administer it, or for whose benefit it exists. Of its nature, a juridic person is perpetual and, once established, it can outlast all natural persons or material goods which formed it.