



Catholic Diocese of Lexington

Diocesan Guidelines for Parish Finance Councils

DEFINITION:

The Parish Finance Council is an advisory and consultative body of laypersons established to advise the pastor in matters pertaining to the financial affairs of the parish and school. The Code of Canon Law requires that every parish have a Finance Council. The applicable canons and statutes are as follows:

Canon 537:

"In each parish there is to be a finance council which is governed, in addition to universal law, by norms issued by the diocesan bishop and in which the Christian faithful, selected according to these same norms, are to assist the pastor in the administration of the goods of the parish, without prejudice to the prescript of can. 532."

RELATIONSHIPS:

The relationship between the pastor and the council is one of support and collaboration. The authority and duty of the pastor, as defined in canon 532, which is to act and decide on behalf of the parish, is not lessened by the establishment of the Parish Finance Council:

Canon 532:

"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."

The Finance Council works closely with the pastor. The pastor is accountable to the diocesan bishop. In designated parishes of the Catholic Diocese of Lexington, the administration of the parish has been delegated by the Bishop to the Parish Life Director. The obligations, authority and functions of the pastor as described herein with relationship to the Parish Finance Council and Parish Pastoral Council are conferred upon the duly appointed Parish Life Director in these parishes within the provisions of the decree granting the necessary faculties and/or mandates.

The Code of Canon Law requires the creation of a Parish Finance Council and clearly places in it the competence to assist the pastor in the administration of parish temporalities. The Code also allows the establishment of a Parish Pastoral Council to assist the pastor in planning,

coordinating, guiding and directing pastoral activities of parish life (Canon 536). The establishment of a Parish Pastoral Council in every parish is mandated in the Catholic Diocese of Lexington. While the two councils are separate and each has a different and specific role in the life and operation of the parish, they must work together for the good of the parish.

Canon 536:

“After the diocesan bishop has listened to the presbyteral council and if he judges it opportune, a pastoral council is to be established in each parish; the pastor presides over it, and through it the Christian faithful along with those who share the pastoral care of the parish in virtue of their office give their help in fostering pastoral activity.”

Therefore, for the purpose of good planning, cooperation and accountability, the person chosen to be the chairperson of the Parish Finance Council could be an ex-officio member of the Parish Pastoral Council. The chairperson or another delegated Finance Council member shall act as liaison between the two councils and shall provide the Parish Pastoral Council regular and timely reports (at least three times a year) on the financial status of the parish and the activity of the Parish Finance Council.

In the ongoing relationship between the two councils, the primary role of the Parish Finance Council must be recognized. The Finance Council is the Council required by Canon Law and does not cease if the pastorate becomes vacant through transfer or death.

In fulfilling its responsibilities, the Parish Finance Council must be directed by the values of the Gospel as well as by good business practice. Efficient and effective use and management of parish resources must be measured as much by their contribution to parish mission and ministry as by commonly accepted business standards.

STRUCTURE (Membership):

Excluding the pastor, the Parish Finance Council shall be composed of at least three members of the faithful. Smaller parishes, fewer than 25 families, may have two qualified consultors to the pastor rather than a Finance Council, if necessary and approved by the bishop.

A. Members of the Finance Council should be reputable and registered, practicing Catholic members of the parish who are knowledgeable and skilled in financial matters, such as business, law, finance, accounting, property maintenance, construction, purchasing and communications. The pastor can use his discretion in selecting members of the Finance Council from the parish community but can also seek consultation from the Parish Pastoral Council or other trusted sources prior to making appointments.

B. The Finance Council is a consultative body to the administrator of the parish as defined on Page 1 of this document.

C. The parish business **manager/bookkeeper/accountant (MBA)** shall not be a member of the Parish Finance Council. However, his/her attendance at council meetings is essential and at times critical to the responsibilities for administration of finances and temporal goods.

D. Members of the Parish Finance Council may not be related to the pastor/administrator, his/her primary collaborators on staff, paid employees, or any associate priests or parochial vicars assigned to the parish. Associate priests, parochial vicars and deacons assigned to the parish may not be appointed as members of the council but should and can be considered as ex-officio members on all councils of the parish.

TERMS OF OFFICE:

Members shall be appointed for no less than three (3) nor more than five (5) year terms and may be reappointed for a subsequent term. No member shall serve more than ten (10) consecutive years on the council. After serving ten consecutive years, a member should have a waiting period of at least two years prior to rejoining the council. Members' terms must be staggered to provide continuity. Members may be removed from the council for just reason and notice from the pastor; member's failure to attend meetings constitutes just reason.

OFFICERS:

A. The pastor or their appointed chairperson presides at all meetings of the Parish Finance Council and receives the council's proposals. Parish Finance Council does not meet in the absence of the pastor.

B. The chairperson assists the pastor in coordinating the work of the council, in preparing agendas for meetings and in implementing those proposals of the council which have been accepted and ratified by the pastor. The chairperson performs other such tasks as may be delegated to him/her, including, if the pastor so desires, chairing and conducting the regular meetings of the council. The chairperson is appointed for a term of one year. He/she may be re-appointed consecutively during his/her appointed term on the council.

MEETINGS:

The Parish Finance Council shall meet at least four times a year or more frequently as determined by the pastor. Meetings and agenda shall be arranged by the pastor or the appointed chairperson in consultation with and approval of the pastor. Meeting summaries or minutes will be kept and approved by the council as representative of the meeting agenda, discussions, and recommendations. The meeting summaries will be retained on file for seven (7) years at the parish. The pastor and members are expected to attend all meetings.

AUTHORITY AND CONSULTATION:

The pastor has authority from the universal law of the church to decide and act on behalf of the parish (Canon 532). The Parish Finance Council is advisory to the pastor and its recommendations are valid only when accepted and ratified by the pastor. It is important, therefore, that the pastor be central to the deliberations and the functioning of the Parish Finance Council. The relationship between the council and the pastor is supportive and by no means adversarial. Sharing information, listening, contributing and promoting consensus are very important.

The advice of the Finance Council should be sought both for acts of ordinary administration and acts of extraordinary administration as defined later in this document. The pastor does not need any specific authorization to carry out the day-to-day administration of the parish but may find it helpful to consult with Finance Council members on such acts as recurring purchases. Finance Council members may have useful advice or strategies to offer to reduce the costs.

Diocesan norms require the pastor to consult with the Parish Finance Council for any commitment greater than 1% of annual parish revenue, or \$1,500, whichever is greater. Such commitments would include, but not be limited to, the initiation or modification of purchases, gifts, renovations, proposed leases, etc.

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

To fulfill its responsibilities, the Parish Finance Council must have access to fiscal information necessary for its deliberation such as parish financial accounts, financial reports, records of indebtedness, and information on all real property of the parish and school. Such information must be received and given in a spirit of confidentiality and prudence.

The Parish Finance Council (or a committee thereof) should be involved in and/or consulted during the preparation of the budget. In the Catholic Diocese of Lexington, the Parish Finance Council is required to approve the annual budget for the parish and/or school.

If the budget is not approved by the Parish Finance Council, the reasoning should be discussed and revisited in best efforts to prepare an approved budget. If there is no resolution of an approved budget, and as stated previously, the pastor in good conscience believes he cannot accept this recommendation of the council, he shall fully and frankly communicate his reservations to the council's membership. If necessary to work toward budget approval, the pastor can consult with other Councils or members of the parish and may involve the Diocesan Finance Officer or Diocesan Superintendent for review and proposed approval by the Bishop or his delegate.

FUNCTIONS:

Pastors and financial staff (e.g., business manager, bookkeeper, and accountants) are obliged to administer parish goods, according to the church law, as found in Canons 1281-1288. The Parish Finance Council assists the pastor in fulfilling the following responsibilities:

1. Assure that an annual budget for the parish and its school is properly prepared and approved. The budget should be submitted for review to the Parish Pastoral Council and Parish School Council. All locations are encouraged to create a balanced budget where the various sources of income cover the current operational needs and debt service. If possible, a budget should include appropriate planning of reserves for future contingencies. A proposed deficit budget must be submitted to the Diocesan Finance Officer (DFO) and/or Superintendent of Schools for consideration along with

an explanation of how the location plans to cover the deficit. Budgets must be entered into QuickBooks no later than August 1 of the applicable fiscal year so the budget can be used in the various financial reports and analyses.

2. Members of the Finance Council shall familiarize themselves with the various diocesan policies and procedures by reviewing the Financial Policies and Supplements for Diocesan Entities document located on the diocesan website.

Members should then review, as needed, the proper use/execution of the required diocesan bookkeeping and accounting system, as well as compliance with diocesan financial policies and norms.

3. Ensure that the executed Assessment Report Cover Sheet (available on the diocesan website) for the fiscal year ending June 30 is prepared and submitted to the Chancery Finance Office by September 1 of each calendar year. Members of the Parish Finance Council are to sign the document sent to the Diocese to provide written affirmation from the Finance Council members that they periodically review the financials of the entity and feel the year-end report fairly represents the financial condition of the entity. Conflicts or unresolved concerns about the finances and/or the report from council members may be referred through the pastor and/or the chair of the Finance Council to the Diocesan Finance Officer. The Assessment Report Cover Sheet should be accompanied by payment in full of the diocesan assessment or a notice that the funds will be deposited from the Stable Value Fund, identifying the specific account(s) the full annual assessment will be paid from.

4. Provide the Parish Pastoral Council and Parish School Council with periodic reports (at least three times a year) on the financial status of the parish and school. The recommended financial statements to present are a Balance Sheet with Prior Year Comparison, a Profit and Loss with Prior Year Comparison and a Budget vs. Actual report.

5. Be involved in publishing and communicating an annual financial reporting to the members of the parish community. This annual report can include information on areas other than finance, such as statistics related to church attendance, school and religious education enrollment, key issues, programs and events, along with any construction and/or renovation projects being considered. Ongoing communication with the parishioners in an understandable format is key to accomplishing participation in the priorities and needs of the diocesan entity.

6. Monitor the deposit of cash balances in excess of ninety-days (90) normal operating expenses in the Diocesan Stable Value Fund; identified as designated or restricted if applicable. The Diocesan Stable Value Fund is the vehicle for diocesan entities to invest funds for interest and/or growth.

7. Honor the limited number of banking accounts authorized for parishes and schools:
 - a. Parishes: operating checking account and charitable gaming account (if licensed for charitable gaming)
 - b. Schools: operating checking account, cafeteria account, an imprest (petty cash) fund (not to exceed \$2500) for cafeteria local procurements, and a charitable gaming account (if licensed for charitable gaming)
8. Evaluate and make recommendations regarding church and school financial support from the Sunday offertory, tuition, fund-raising and other activities.
9. Develop a plan for the financing of necessary repairs, renovations, and purchases. The Parish Finance Council is the primary advisor to assist the pastor with the stewardship of temporal goods of the parish and school, including capital assets (assets individually valued greater than \$5,000). Any major repairs and/or capital projects equal to or greater than \$25,000 must follow the [Diocesan Project Procedures Checklist for the Diocesan Building Commission](#) available on the Diocesan website.
10. Consult with the pastor and parish members on the possible acquisition of new debt and to develop and maintain a plan for systematic payment of any new or existing debt. All borrowings must be pre-approved by the Diocesan Finance Officer and the Bishop. The Chancery office provides advice and guidance on pre-approved borrowings and must approve the final documents for the Bishop's signature or that of his designated representative.
11. Review, monitor, coordinate, and advise the pastor regarding all fund-raising programs, including charitable gaming.
12. Help comply with all requirements of federal and state tax and employment laws as directed by the diocese. Note that the Chancery files all governmental reports as a consolidated FEIN (Federal Employer Identification Number). Exclusions are charitable gaming reports and sales tax if the entity has its own assigned sales tax number. Finance Councils should monitor and review the timely filing and/or transfer of necessary items such as W-9s and insurance certificates for independent contractors, sales tax forms and funds, charitable gaming W-2Gs and withholding, etc. to the diocese or appropriate entity.
13. Review submission and use of tax-exempt purchase numbers/forms for eligible purchases paid for directly by the diocesan entity and maintain records of same for all applicable church or school operated properties.
14. Safeguard the assets of the parish from loss or damage through appropriate controls, policies for facility management, and review of insurance coverage.
15. Implement and remain in compliance with all diocesan policies relative to financial matters.
16. Report any suspected fraud and abuse to the Diocesan Financial Officer.

17. Hear from the personnel attending diocesan MBA meetings, at the next Finance Council meeting after the MBA, so the Finance Council is aware of the agenda covered and any applicable changes, additions or deletions of diocesan polices and/or practices.

18. The bookkeeper/business manager/accountant for the location should attend every Finance Council meeting and present Budget vs. Actual reports, a Budget Sheet with Prior Year Comparison and any other QuickBooks generated reports the Finance Council requests.

19. Annually, by September 1, each parish is required to send a letter to the Diocesan Finance Officer that lists the names and professional titles/areas of expertise of the members of the Parish Finance Council, along with the date of appointment. The letter should also include:

a) The dates the Parish Finance Council met during the previous fiscal year, and since the end of the fiscal year, along with the minutes/summaries of each meeting. The minutes should be signed by the pastor or the chair of the council.

b) The date(s) parishioners were provided with information on the financial status of the parish and/ or school, and a copy of the information provided.

20. A diocesan entity, meaning a location operating under the diocesan tax identification number, (parish/school/mission/apostolate/other) needs to acquire written approval of the diocesan bishop prior to performing extraordinary acts of administration and must show details of consultation with the Parish Finance Council prior to seeking approval of the bishop (Canon 1281). Extraordinary acts of administration taken without approval of the diocesan bishop are invalid acts and may also be ruled as invalid from a civil law standpoint. Examples of actions considered extraordinary acts of administration in the Catholic Diocese of Lexington are expenditures/commitments involving a contract for construction, maintenance, and/or renovations costing \$25,000 or greater. Also, any property lease or easement, the acquisition or alienation of real property, the sale of religious articles that would be considered part of a church's patrimony (e.g. stained glass windows) and other such

Canon 1281:

“Without prejudice to the prescripts of the statutes, administrators invalidly place acts which exceed the limits and manner of ordinary administration unless they have first obtained a written faculty from the ordinary.”