



Presented by:
Marc Fisher
Office for Parish Service
& Support
Archdiocese of
Philadelphia

Finance Councils: Promoting Good Stewardship through Best Practices



Archdiocese of Philadelphia at a Glance

- 1.4 million Catholics
- 219 Parishes
- 122 Elementary Schools (including Regional Schools and Mission Schools)
- 17 Secondary Schools



Parish Finances at a Glance

Fiscal Year Ending June 30, 2014

Average Parish Operating Income	\$1,281,000
Average Parish Operating Expenses	\$1,262,000
Average Effective Operating Surplus/(Deficit)	\$19,000
% of Parishes with Effective Operating Surplus	58%
Average Weekly Sunday Collection per Contributing Household	\$24.53
Average Weekly Sunday Collection per Registered Household	\$6.79

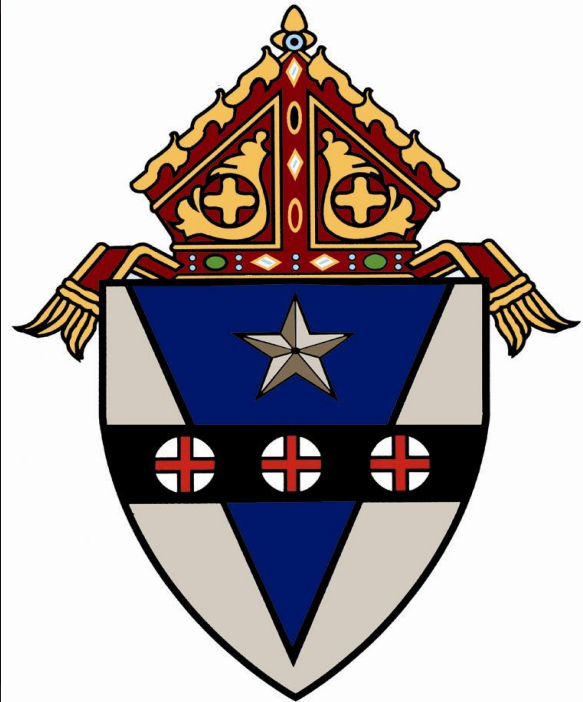


Finance Council Role

- Canon 537 of the Code of Canon Law mandates a Finance Council in each parish.
- The Council is a consultative body whose primary purpose is to assist the Pastor in the stewardship of the material goods entrusted by God to the Parish in support of the mission of the Parish and the broader Church.
- Expresses the Parish mission in dollars
- Oversees the Parish bookkeeping
- Ensures that proper internal controls exist

Canon 537

In each parish there is to be a finance council...to assist the pastor in the administration of the goods of the parish....



Membership



Finance Council Membership

- Should have no less than five(5) **unrelated members** and no more than twelve (12) members – eleven (11) members of the parish and the pastor (ex-officio/non-voting)
- Practicing Catholics
- No Parish employees or member of the family of an employee or relative of the Pastor
- No conflicts of interest



Recruitment Strategies

- Appointment not an election
- Solicit broadly
 - Key/Trusted Parish Leaders
 - Pastoral Staff
 - Bulletin
 - Other Pastors
- Set up a “give me some advice” meeting
- Discern with trusted advisors (staff, current pastoral and finance council members)



Membership Recruitment

- Summarize the role
- What you are looking for?
- Characteristics and qualifications of an effective member
- Outline the members' responsibilities and time commitment

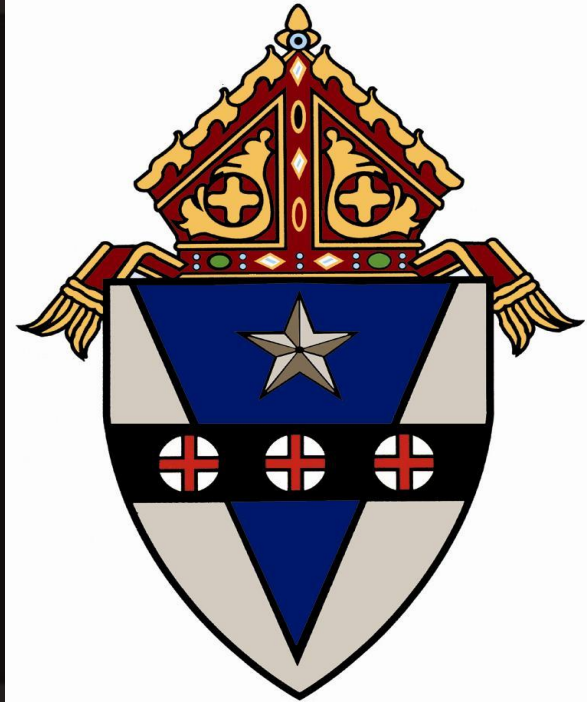




Membership Recruitment

- Qualifications and Experience
 - Business
 - Accounting
 - Law
 - Investments
 - Building Maintenance
 - Fundraising
 - Human Resources





Duties of the Finance Council



Budget

- Assist the Pastor and Business Manager in the preparation and review of an annual **balanced** budget – both operating and capital budgets
 - Recommend measures to eliminate the deficit if one exists
 - Advise as to the establishment of tuition rates
 - Ensure that the budget provides adequate support for the parish or regional school
 - Ensure that the school budget was developed in collaboration with the principal, advancement director and other appropriate employees



Budget

- Budget should be based upon the objectives and priorities determined by the Parish Pastoral Council
- Budget should include expected cash receipts and disbursements of Parish Organizations
- An integral part of the budget process should be planning for debt repayment
- The budget should allow for contingencies



Financial Reporting & Analysis

- Assist with the preparation and review of the Annual Parish Financial Report (APFR)
 - Have all financial transactions been recorded in the accounting records and included in the APFR?
 - Have all parish cash accounts been included in the APFR?
 - Does the APFR include all of the parish debt?
 - Have all taxes due been paid and included in the APFR?
 - Has **all** compensation paid and taxes withheld been reported to the IRS and other appropriate taxing authorities?
 - Have all contractors receiving \$600 or more in the calendar year been issued a 1099 form?



Financial Reporting & Analysis

- Ensure that the APFR is submitted timely
- Assist with the preparation and the communication of the annual results to the parish community
- Ensure that the parish remains current with its obligations to parish employees, to school, to vendors and to the Archdiocese
- Assess the effectiveness of fund-raising programs



Financial Reporting & Analysis

- Actively monitor the parish financial results as compared to budget and investigate variances
 - Study revenue sources and make recommendations to maintain or increase revenue in order to meet parish objectives
 - Monitor expenditures and make recommendations to ensure cost efficiency and effective stewardship
 - Study the balance sheet to ensure assets and liabilities are reported properly
 - Evaluate the adequacy of cash management to ensure that liabilities are able to be paid



Types of Financial Statement Analysis

VERTICAL ANALYSIS

- Each account is expressed as a % of a base amount
- Every line on the balance sheet is stated as a % of assets and every line on the income statement as a % of operating revenue
- Makes it easy to see relative annual changes within the parish

HORIZONTAL ANALYSIS

- Also known as “trend analysis”
- Compares financial data month to month or year to year
- Very effective because it examines changes in accounts over periods of time rather than viewing them as a point in time



Vertical Analysis – Balance Sheet

- Does cash look right based on this month's activities?
 - Example: Why is cash so low after we just held our Christmas Bazaar?
- Do the receivable accounts look right?
 - Example: Why are there no pledge receivable accounts? I know we haven't collected all the pledges.
- Do accounts payable look right?
 - Example: Cash appears low this month and yet accounts payable are much higher. Did the parish incur more expenses this month that we owe or is something wrong?
- Do the other liability accounts look right?
 - Example: Why are there pension contributions due? I know the Archdiocese requires pension contributions to be funded on payday. Based on the pay dates, that should have been the last week before month-end.



Vertical Analysis – Income Statement

- Do revenues look reasonable based on the month's activities?
 - Example: I was told that the Parish Pasta Dinner was the biggest fund raiser and yet total revenues are down this month? Were regular collections really that much lower causing the overall decrease?
- Do expenses look reasonable based on the month's activities?
 - Example: Why are expenses so much higher? I'm not aware of any extraordinary expenses such as repairs, printing costs, etc.
- Do particular revenue or expense accounts look unusual?
 - Example: Payroll expense looks really high this month. The Pastor was told by the Business Manager it is due to more overtime hours worked. Does the Pastor pre-approve overtime?



Horizontal Analysis

- Total salary expense is significantly higher than this time last year. Possible explanations:
 - Created new position
 - Cost of living adjustments / merit increases
 - Paid additional overtime
 - Expenses are not classified properly
- Parish subsidy to the school is slightly lower than last year. Possible explanations:
 - School enrollment is up this year
 - Slight increase in tuition, with increase in enrollment, has offset some expenses that were previously subsidized
 - School received a grant this year



Strategic Planning

- Collaborate with Parish Pastoral Council to provide financial input during development of long-term parish plans
- Assist the Pastor with hiring and annual performance review of the Business Manager
- Consult with Pastor on the construction or renovation of parish facilities, on the sale or purchase of parish property, and on lease agreements
- Ensure parish is financially poised for long-term sustainability



Internal Controls

- **Everyone** must play a part, in controlling identified risks, to help the Parish achieve its mission, prevent loss, ensure reliable financial reporting, and ensure compliance with laws and regulations, avoiding damage to its reputation and other consequences
- Internal controls help Parishes achieve their mission while avoiding pitfalls and surprises along the way



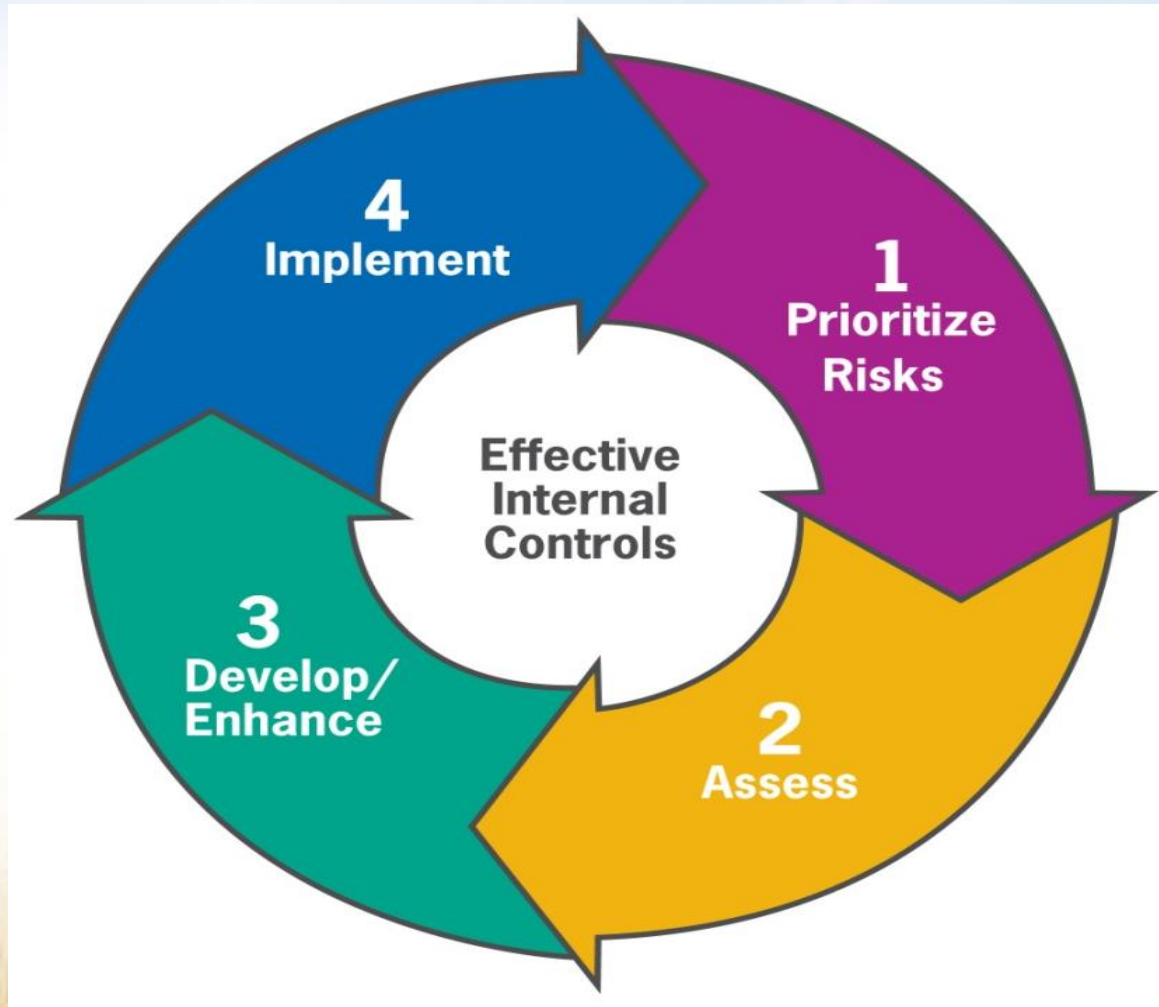
Assessing Parish Risks

Some of the key risks faced by many parishes

- Changing demographics
- Declining active Church membership
- Dwindling contributions due to above factors and current economy
- Declining school enrollment
- Decline in number of priests and religious
- Aging infrastructure
- Declining revenues to support increasing expenses – infrastructure in many parishes may not be sustainable at current levels and may reflect structure that was appropriate decades ago but not today



Steps to Managing Risks





Sunday Collection

- Ensure segregation of duties
- Ensure at least two unrelated people are with the money during collection, counting and deposit
- Rotate counting teams where possible
- Reconciliation of count sheets and deposit to PDS
- Consider secure alternatives





Cash and Bank Accounts

- Timely bank reconciliations
- Limit the number of bank accounts
- Include all parish organization bank accounts in QuickBooks





Payroll and Tax Issues

- Lack of review of Pre and Post Payroll Reports
- Payment of employee bonuses in cash or through payroll
- Form 1099-Misc (Payments to individuals/unincorporated businesses totaling \$600 or more per calendar year)





Final Thoughts

- Set a meeting agenda that includes a review of budget to actual activity and other reports (preferably sent in advance)
- Encourage discussion and constructive suggestions
- Track progress towards parish goals
- Ask questions
- If the numbers do not “add up”, explore further



Questions

