

VIII. Diocesan Finance Councils

Canon 492 of the Code of Canon Law mandates all dioceses to establish a finance council:

Canon 492—§1. In every diocese a finance council is to be established, over which the diocesan bishop himself or his delegate presides and which consists of at least three members of the Christian faithful truly expert in financial affairs and civil law, outstanding in integrity, and appointed by the bishop.

§2. Members of the finance council are to be appointed for five years, but at the end of this period they can be appointed for other five-year terms.

§3. Persons who are related to the bishop up to the fourth degree of consanguinity or affinity are excluded from the finance council.

Roles and Responsibilities of the Finance Council

The diocese should prepare a charter for the finance council that includes, at a minimum, the following roles and responsibilities (a sample charter is included later in this chapter). The finance council must prepare the annual diocesan budget according to the instruction of the diocesan bishop (c. 493). (While the annual budget may initially be prepared by the staff of the diocese, final approval and recommendation to the Bishop rests with the finance council.)

The finance council must examine the annual report of income and expenditures prepared by the diocesan finance officer (cc. 493, 494). (This examination may take the form of reviewing the annual audited financial statements as presented by the diocese's independent auditors.)

The finance council is to give *counsel* to the bishop on the following:

1. Appointment of a finance officer (c. 494)
2. Removal of the finance officer (c. 494)
3. Imposition of taxes, either ordinary or extraordinary (c. 1263)
4. Decisions relative to the more important acts of administration (It is for the conference of bishops to define what is meant by acts of extraordinary administration.) (c. 1277)
5. Determination of the meaning of acts of extraordinary administration for institutes subject to his control if the statutes are not specific (c. 1281.2)
6. Review of annual reports submitted to him by clerical and lay administrators of any ecclesiastical goods (c. 1287.1)
7. Leasing of ecclesiastical goods owned by the diocese when the market value of the property to be leased exceeds \$400,000 (c. 1297 and USCCB Complimentary Norms for Canon 1297)
8. Investment of tangible and intangible property assigned to an endowment (c. 1305)
9. Modification of the obligations imposed in executing last wills for pious causes if such obligations cannot be fulfilled (c. 1310.2)

The finance council must give or withhold *consent* to the bishop on the following:

- Performance of an act of extraordinary administration as defined by the United States Conference of Catholic Bishops (USCCB) (c. 1277)¹
- Leasing of ecclesiastical goods owned by the diocese when the market value of the property to be leased exceeds \$1,000,000 or the lease is to be for three years or longer (c. 1297 and USCCB Complimentary Norms for Canon 1297)
- Alienation of property at or above the “minimum” amount established by the USCCB (c. 1292 § 1) (see Chapter XV, subtopic: Alienation and Acts of Ordinary and Extraordinary Administration)
- Alienation of property of other public juridic persons subject to the diocesan bishop at or above the “minimum” amount established by the USCCB (c. 1292 § 1) (see Chapter XV, subtopic: Alienation and Acts of Ordinary and Extraordinary Administration)
- In addition to alienation, the entering into any transaction that worsens the financial condition of the diocese (c. 1295)

Be aware that consent must also be obtained from the Holy See for alienation of property given to the Church by vow, property precious for artistic or historical reasons or when the value of the property exceeds the “maximum” amount established by the USCCB (see Chapter XV, subtopic: Alienation and Acts of Ordinary and Extraordinary Administration). Consent of the Holy See is also required for the valid leasing of ecclesiastical goods when the market value of the goods exceeds \$5,000,000.

Other

The diocese should consult with their canon lawyer to clarify the role of the diocesan finance council and ensure that it operates consistent with canon law. In addition to specific canon law requirements, diocesan bishops should consider consulting with their finance councils on the following:

- Appointment of auditors (In addition, the diocesan finance council should perform the audit committee oversight role if an audit committee does not exist, including oversight of financial management policies and the implementation thereof. See Exhibit I-A in Chapter I for these responsibilities.)
- Appointment of legal counsel
- Employee compensation and benefits
- Insurance and risk management
- Property management
- Construction management
- Investment policies

¹ - In November of 2007, the USCCB approved new complementary norms in order to clarify certain items in the complementary legislation for Canon 1277 that was originally issued in November of 1985. The new complementary norms have not been granted recognition at this time by the Holy See. Such complementary norms are anticipated to address (1) the issuance of bonds, mortgages and bank debt (2) resolving financial settlements (3) engaging in management and/or operation of a business not related to the performance of Church activities (4) entering into transactions that pose a conflict of interest to the diocesan bishop, auxiliary bishop, vicar generals and diocesan finance officer and (5) filing a petition for bankruptcy relief.

- Internal controls
- Development (fundraising)—See USCCB Complimentary Norms for Canon 1262 (effective August 15, 2007) and U.S. Catholic bishops, *Principles and Guidelines for Fund Raising in the United States by Arch/Dioceses, Arch/Diocesan Agencies and Religious Institutes* (November 16, 1977), available from the USCCB Finance Office
- Banking arrangements

At its General Meeting in November 2000, the bishops unanimously adopted a Resolution on Diocesan Financial Reporting, effective January 1, 2001 requesting each suffragan bishop to send an annual letter to his metropolitan archbishop (and each metropolitan archbishop to send an annual letter to the senior suffragan bishop in the province) specifying compliance with certain provisions of canon law. The finance council should assist the bishop in fulfilling the requirements of the resolution. The resolution and reporting form are reproduced later in this chapter.

SAMPLE

Sample Statutes of Diocesan Finance Council

STATUTES FOR THE FINANCE COUNCIL OF THE ARCHDIOCESE of N.

ARTICLE I The name of this body shall be the Archdiocesan Finance Council referred to sometimes as “AFC”

ARTICLE II Purpose

The Archdiocesan Finance Council is one of the three major councils of the Archdiocese of N. It is established by the Archbishop for the purpose of advising and assisting him in financial matters.

The finance council must prepare the annual archdiocesan budget. (While the annual budget may initially be prepared by the staff of the archdiocese, final approval and recommendation to the Bishop rests with the finance council.)

The finance council must examine the annual report of income and expenditures prepared by the archdiocesan finance officer. (This examination may take the form of reviewing the annual audited financial statements as presented by the archdiocese's independent auditors.)

The finance council must give or withhold consent to the archbishop on the following:

- Performance of an act of extraordinary administration as defined by the United States Conference of Catholic Bishops (USCCB) (c. 1277)
- Leasing of ecclesiastical goods owned by the archdiocese when the market value of the property to be leased exceeds \$1,000,000 or the lease is to be for three years or longer (c. 1297 and USCCB Complimentary Norms for Canon 1297)
- Alienation of property at or above the amount established by the USCCB (c. 1292 § 1) and updated annually based on the consumer price index.
- Alienation of property of other public juridic persons subject to the archbishop at or above the amount established by the USCCB (c. 1292 § 1) and updated annually based on the consumer price index
- In addition to alienation, the entering into any transaction that worsens the financial condition of the archdiocese (c. 1295)

The finance council is to give counsel to the archbishop on the following:

10. Appointment of a finance officer (c. 494)
11. Removal of the finance officer (c. 494)
12. Imposition of taxes, either ordinary or extraordinary (c. 1263)
13. Decisions relative to the more important acts of administration (It is for the conference of bishops to define what is meant by acts of extraordinary administration.) (c. 1277)

14. Determination of the meaning of acts of extraordinary administration for institutes subject to his control if the statutes are not specific (c. 1281.2)
15. Review of annual reports submitted to him by clerical and lay administrators of any ecclesiastical goods (c. 1287.1)
16. Leasing of ecclesiastical goods owned by the archdiocese when the market value of the property to be leased exceeds \$400,000 (c. 1297 and USCCB Complimentary Norms for Canon 1297)
17. Investment of tangible and intangible property assigned to an endowment (c. 1305)
18. Modification of the obligations imposed in executing last wills for pious causes if such obligations cannot be fulfilled (c. 1310.2)

In addition to the canon law requirements outlined above, the finance council will also advise the archbishop with regard to the following:

- Appointment of auditors (In addition, the finance council will perform the audit committee oversight role, including oversight of financial management policies and the implementation thereof.)
- Appointment of legal counsel
- Employee compensation and benefits
- Insurance and risk management
- Property management
- Construction management
- Investment policies
- Internal controls
- Development (fundraising)—See USCCB Complimentary Norms for Canon 1262 (effective August 15, 2007) and U.S. Catholic bishops, *Principles and Guidelines for Fund Raising in the United States by Arch/Dioceses, Arch/Diocesan Agencies and Religious Institutes* (November 16, 1977), available from the USCCB Finance Office
- Banking arrangements
- Fulfilling the requirements of the Resolution on Diocesan Financial Reporting that became effective January 1, 2001

ARTICLE III Membership

AFC shall be composed of not fewer than 19 persons, including the Archbishop of N., or the person who, in his stead, exercises ordinary jurisdiction over the spiritual and temporal affairs of the Archdiocese N. in accordance with legislation of the Roman Catholic Church and the Vicar General of the Archdiocese.

- 1) Two members of this Council shall be elected by the Archdiocesan Pastoral Council.
- 2.) Two members of this Council shall be priests serving the Archdiocese of N., elected by the Presbyteral Council of the Archdiocese.
- 3) One member of this Council shall be a religious sister serving the Archdiocese of N., elected by the Sisters Council of the Archdiocese.

- 4) One member of this Council shall be a permanent deacon, serving the Archdiocese of N., elected by the Deacon Council of the Archdiocese.
- 5) At least eight members of this Council shall be appointed to at-large positions by the Archbishop.
- 6) Three members of this Council shall be appointed by the Archbishop as:
 - a) Chair of the Archdiocesan Finance Council
 - b) Chair of the Revenue Committee
 - c) Chair of the Allocations Committee

The Vicar of Finance shall also be an ex-officio, non-voting member of this Council.

It shall be the responsibility of each of the six elected members of the AFC to communicate the activities and recommendations of the AFC to the body which elected each such member and to encourage that body to exercise care in the election of its members to ensure its representatives have the interest and time to serve, and to communicate to the AFC its observations or recommendations in regards to matters being considered by the AFC.

ARTICLE IV Term of Office

- 1) The regular term of office of the elected or appointed at-large members of the AFC shall be five years, with approximately one-third of those members' terms expiring each year.
- 2) No elected or appointed at-large members shall serve more than two consecutive five-year terms.
- 3) The Chair of the Revenue Committee and the Chair of the Allocations Committee shall be appointed to a two-year term. These Chairs may not serve more than three consecutive two-year terms. The Chair of this Council shall be appointed for a one-year term.

ARTICLE V Vacancies

Vacancies on the AFC by reason of resignation, death, disability, termination of office, or otherwise, shall be filled by the same constituency or person which originally selected the member whose position has become vacant.

ARTICLE VI Officers and Duties

The officers of the AFC shall be a Chair and a Vice-Chair.

- 1) The Chair of this Council shall conduct all meetings of the AFC and its Executive Committee.
- 2) The Vice-Chair of the Council shall act in the place of the Chair when the Chair is absent or unable to attend a meeting of the AFC or the Executive Committee, and shall

assist the Chair in the performance of the Chair's duties. The Vice-Chair shall be appointed by the Archbishop from among the membership of the Council for a one-year term.

ARTICLE VII Meetings

Meetings of the AFC shall be held at the call of either the Archbishop, the Chair, or by a majority of the full membership of the AFC. All meetings of AFC will be staffed by the Vicar of Finance.

ARTICLE VIII Committees

There shall be an Executive Committee and two standing committees of the AFC. The standing committees shall be the Revenue Committee and the Allocations Committee. The Vicar of Finance shall staff all committees of the AFC.

- 1) **Executive Committee:** There shall be an Executive Committee composed of the Archbishop or his delegate, the Chair of the AFC, who shall be the Chair of the Executive Committee, the Vice-Chair of the AFC, the Chair of the Revenue Committee, the Chair of the allocations Committee, and two members of the AFC elected to one-year terms by the AFC.

The Executive Committee shall be responsible for the affairs of the Council between meetings, adoption of a yearly schedule of AFC meetings, preparing agendas for the AFC meetings, assigning AFC members to the standing committees, approving the annual plans and schedules of standing committees, recommending policies and procedures guiding the budget process and the operations of the AFC, and for determining the purpose, membership and term of each ad hoc committee. It shall report all of its activities and actions to the AFC at the next meeting of the AFC for ratification.

All AFC members shall serve on at least one of the three committees. Members may indicate their committee preference prior to appointment.

- 2) **Revenue Committee:** The Revenue Committee shall consist of a Chair appointed by the Archbishop, at least five members of the AFC appointed by the Executive Committee, and up to five or six others recommended by the AFC Revenue Committee members and approved by the Archbishop for three-year terms.

The Revenue Committee shall review and coordinate revenue projections of all sources of operating and capital funds, and assist and advise on the annual and multi-year fundraising strategies and efforts of the Archdiocesan Central Corporation prior to any major fundraising campaigns.

The Revenue Committee acts as a central area for communications on all major fundraising by agencies, departments, and institutions both inside and outside the Archdiocesan Corporation to help monitor and coordinate these efforts.

- 3) Allocations Committee: The Allocations Committee shall consist of a Chair appointed by the Archbishop, at least five members of the AFC appointed by the Executive Committee and the Chairs of the Allocation Panels. Allocation Panel Chairs shall be suggested by the Allocations Committee Chair, recommended by the AFC and approved by the Archbishop for a one-year term.

The Allocations Committee and its panel, each consisting of up to six persons appointed to staggered three-year terms by the Allocations Committee Chair, shall review the three-year and annual proposals for new and expanded programs, the three-year goals and annual objectives and the three-year and annual budgets of each department and agency requesting funds from the Central Corporation, and it shall prepare recommendations for the AFC on them. The panels shall further establish contact with their respective agencies/departments, conduct budget hearings, and prepare and present to the Allocations Committee recommendations from their respective panels.

The Allocations Committee shall annually prepare a recommended total budget including funds and comments on existing, expanded and new programs, from the panel recommendations and submit it to the Archbishop's Cabinet and the AFC.

The Allocations Committee and its panels shall review needs on a year-round basis and recommend to the AFC such changes in allocations as it deems necessary.

The Revenue and Allocations Committees shall work closely with the division directors and other staff as appropriate, to become informed about proposals, plans and studies that can impact on revenue or spending, the goals or objectives of departments and agencies, and strategies and funding to achieve them.

ARTICLE IX Quorum and Voting

A majority of the full membership shall be necessary and sufficient to constitute a quorum for the transactions of business at all meetings of AFC and its committees so long as all the members of the council of its committees were properly notified of meeting in accordance with canon 127. The act of a majority of the members present at any meeting at which there is a quorum shall be the act of the AFC or its committees.

ARTICLE X Amendments

Amendments to these statutes shall be proposed at any meeting of the AFC, following a two-week notice, upon a two-thirds vote of the full membership of the AFC. They would be effective upon the approval by the Archbishop.

Diocesan Financial Reporting—USCCB Resolution

The diocesan finance council has a recommended reporting responsibility in accord with the 2000 USCCB resolution on diocesan financial reporting.

Bishop Joseph A. Fiorenza, then-President of the National Conference of Catholic Bishops (NCCB; later the United States Conference of Catholic Bishops), appointed an Ad Hoc Committee on Diocesan Financial Reporting, chaired by Bishop Joseph P. Delaney, to study ways in which bishops could better acknowledge their compliance with the requirements of canon law for financial reporting. This preamble and resolution were approved by the body of bishops at their November 2000 General Meeting.

Preamble

In 1971 the NCCB published *Diocesan Accounting and Financial Reporting*. In the Prologue the Manual says "the bishops of the United States recognize that these limited material resources have to be managed more effectively than ever before. To accomplish this, each ordinary and his managers need an accounting and reporting system which will reflect the financial condition and the results of diocesan operations in a rational and meaningful manner. . . . The prime objective of this Manual is to present a system of accounting and financial reporting which is usable by each and every diocese in the United States. This will permit financial reporting to the ordinary, the Catholic community, or the community at large."

In 1983 the Conference published *Accounting Principles and Reporting Practices for Churches and Church-Related Organizations* in which it was stated "a wide variety of individuals and groups is interested in the financial statements of Churches and Church-related organizations. Among them are governance, communicants and contributors, service beneficiaries, members of the organization's board of trustees, employees of the organizations, governmental agencies providing funds for programs and services, creditors and potential creditors, and constituent organizations."

Also in 1983, Pope John Paul II promulgated the revised *Code of Canon Law, Codex Iuris Canonici*.

Canons 492-494 provide for the establishment of diocesan finance councils, the preparation of diocesan budgets, and the responsibilities of the diocesan finance officer. Canons 1276-1278 discuss the responsibilities of diocesan bishops with regard to the administration of goods, consultation with the finance council and college of consultors and delegation of responsibilities to the finance officer. Canon 1284 enumerates specific duties of administrators of ecclesiastical goods. Canon 436 describes the competence of the metropolitan in suffragan dioceses.

In 1995 the Committee on Budget and Finance published a framework *Diocesan Internal Controls*. In its foreword, Archbishop Thomas J. Murphy, Treasurer, said that "canon 1284 states that all administrators are to perform their duties with the diligence of a 'good householder.' The bishop can delegate the authority but not the responsibility. He has the duty to ensure that no abuses exist in the administration of church goods within the diocese." The executive summary of that document points out, "Although the bishop will not become too involved in the details of the internal control system, he is the only person who has the power to ensure that each area of a

diocese carries out its responsibility for the system. The proper tone must be set at the top of the organization, and for a diocese, this is the bishop."

Chapter 2 provides, "The bishop, as head of the organization, should assume ownership of the system of internal control. He is responsible for ensuring integrity, ethics, competence, and other factors of a positive control environment. The bishop fulfills his responsibilities by providing leadership to his senior management team, who shape the values, principles and operating policies that are the basis for a strong internal control system. . . . The bishop and his representatives, therefore, establish a controlled environment that ensures effective communications and sets up monitoring procedures."

That document went on to say, "The finance council of a diocese should have a significant role in the internal control function of a diocese and in providing direction, guidance, and oversight to the bishop. In addition to its advisory capacity, the finance council has specific rights and duties under canon law."

Having considered the almost thirty-year history of this Conference's interest in the promotion of responsibility and good stewardship over the ecclesiastical goods entrusted to the diocesan bishop, this Committee proposes that the bishops of the United States now consider how they might provide fraternal support to each other in some collegial manner while at the same time respecting the principle of subsidiarity and the desire to not burden any person or office with unrealistic responsibility that might encroach on the legitimate rights of a diocesan bishop to manage his diocese.

The Committee proposes that the Conference consider some advertentia, that is, helping bishops pay attention to the law of the Church and confirming that each is doing so. The Committee proposes that each suffragan bishop would provide an affirmative statement to his metropolitan archbishop that he is in compliance with the canon law and, therefore, proposes the following be adopted as a resolution of the National Conference of Catholic Bishops. As we are all called to the proper administration of the Church's temporal goods in Book V of the *Code of Canon Law*, the submission of a statement is understood to mean that fiscal matters are being addressed in a timely and appropriate manner.

The diocesan bishop (under church law) has ecclesial and civil responsibility for the management of the diocese. Church law provides a context and direction to the bishop in the exercise of these responsibilities (as described in the preliminary statement); and therefore this resolution is offered to assist the bishop in the exercise of his duties and not to change or diminish those responsibilities.

Resolution

Annually, after the end of the fiscal year, each suffragan bishop is asked to send a letter to his metropolitan archbishop containing:

1. The names and professional titles of the members of his diocesan finance council;
2. The dates on which the finance council has met during the preceding fiscal year and since the end of that fiscal year;

3. A statement signed by the finance council members and the finance officer stating that they have met, reviewed, and discussed the [audited] financial statements of the diocese and the management letter, if any, for that fiscal year and have reviewed the management letter and the recommendations made by the auditors.

The metropolitan archbishop will provide this same letter to the senior suffragan bishop in the province.

This resolution became effective January 1, 2001, and has subsequently been renewed through 2012.

NOTE: A sample (arch)diocesan financial reporting form can be found on the following page.

SAMPLE

(ARCH) DIOCESAN FINANCIAL REPORTING FORM

Name and Professional Titles of (Arch) Diocesan Finance Council Members

NAME	TITLE
1.	
2.	
3.	
4.	
etc.	

(Arch) Diocesan Finance Council Meeting Dates

- 1.
 - 2.
 - 3.
 - 4.
- etc.

(Arch) Diocesan Finance Council and Finance Officer Attestation

We have met, reviewed and discussed the [audited] financial statements of the (insert name of diocese) and the management letter for the fiscal year ended (insert year) including the recommendations made by the auditors.

<u>SIGNATURE</u>	<u>PRINTED NAME</u>
1.	
2.	
3.	
4.	
etc.	