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Principles for Parish Finance Councils

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This is a Structural Change Working Group Document intended only for discussion among its members. Please direct any comments to George M. Perkins at perkinsgm@comcast.net or 508-394-1601.

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Principles for Parish Finance Councils Structural Change Working Group Document

We, members of the Christian Faithful, read the signs of the times to be calling us to improve accountability in administering the temporal goods of our parishes. We also read these signs to be calling us to improve collaboration between clergy and laity. The magisterial teachings on clergy-lay collaboration expressed in *Lumen Gentium*, *Christifideles Laici*, and *Novo Millennio Inuente* encourage us in this undertaking. Drawing on our individual charisms, including our professional competencies in finance and experiences in corporate governance, we offer to our sacred pastors, as the Church instructs us to do, these Principles for Parish Finance Councils. It is our fervent hope that these principles will be accepted as a contribution toward a dialogue on the governance of the temporal goods of our parishes.

We acknowledge that we follow behind others, who by their seminal work and further persistence, have achieved much in establishing and encouraging consultative bodies that assist pastors, diocesan and parochial, in the administration of the Church's temporal goods. Among these leaders are the USCCB Committee on Budget and Finance, its Accounting Practices Committee, and the Diocesan Fiscal Management Conference. Their efforts over many years are reflected in *Diocesan Financial Issues* as well as the many derivative manuals that guide the daily operations of many dioceses and parishes. Also, the Canon Law Society of America, especially through its *Church Finance Handbook*, has clarified the nature and limits of consultative bodies and provided norms for dioceses to model.

Much of this previous work focused on administering the temporal goods of a diocese and consultation with its finance council. Our focus instead is solely on building up parochial finance councils to more effectively assist the pastor in administering the temporal goods of the parish. Perhaps, in those dioceses where parish norms do not exist, these principles might serve as input for developing these norms. Where parish norms do exist, perhaps these principles might be used by dioceses and parishes to review whether parish finance councils are genuinely and effectively assisting their pastors. Our principles then are offered to complement our predecessors' efforts to bring greater expertise and accountability to the task of collaboratively administering parish goods.

Our Parish Finance Council Principles conform purposely to the hierarchical constitution of our Church specified in Article II, Book II of the 1983 Code. At the same time, we deal with the sensitive topic of collaboration between a pastor and a consultative body in the governance of the temporal goods of a parish. (For more detail on Canon Law provisions on Finance Councils and finances for the diocese and the parish, see Canons 492-94, 1291-97, 127, 423, 537, 1254-98, 1305, and 1310.) The Code leaves less specified regarding Parish Finance Councils than it does for Diocesan Finance Councils. It instead leaves the composition, responsibilities, and operating rules of Parish Finance Councils to be determined by the bishop in each diocese. How each diocese resolves these issues surely is best left to each diocese.

Some readers who will pick up our Parish Finance Council Principles may be unfamiliar with the Church's hierarchical constitution, its expectation that clergy and laity collaborate in administering a parish's temporal goods, and its requirement for consultation in these matters. We provide the following overview of salient canons for these readers so that they may better appreciate the nature and limits of parish finance councils.

The universal law of the Church in canon 537 requires each parish to establish a Finance Council:

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 canon 532.

Although a collaborative relationship between pastor and finance council in the administration of the temporal goods of the parish is indicated by this canon, this relationship is strictly consultative as the final phrase above referencing canon 532 makes clear:

In all juridic affairs the pastor represents the parish according to the norm of law. He is to take care that the goods of the Parish are administered according to the norm of canons 1281-1288.

The parish, a corporate body, is a legal (juridic) "person" in the eyes of canon (and civil) law. All corporate entities require that someone, or some group of individuals, be empowered to act for the collective; Canon 532 assigns that power to the pastor and expects that power to be limited by diocesan norms. When caring for the temporal goods of the parish, however, this power is explicitly limited since the pastor is here charged with administering the goods of the parish according to canons 1281-1288. These canons, significantly, assume the pastor's need for assistance from the faithful (clergy, religious and laity) in this administration. Moreover, such assistance is explicitly required in canon 537. We interpret this mandated assistance as the Church prudently acknowledging that administering the temporal goods of the parish requires a financial expertise that pastors are unlikely to have, an expertise though that several lay parishioners are likely to possess.

Canon 1284 requires that administrators of parish goods follow a set of sound management practices. Subparagraph 3 specifically urges planning for and budgeting of activities consistent with the mission of the parish, but leaves the details of this process to diocesan norms, or to the parish if the diocese does not address these:

It is strongly urged that administrators prepare budgets of income and expenditures each year; it is left to particular law, however, to require them and to determine more precisely the ways in which they are to be presented.

Accountability for this collaborative administration of parish's temporal goods is addressed in canon 1287:

§1. Both clerical and lay administrators of any ecclesiastical goods whatever which have not been legitimately exempted from the power of governance of the diocesan bishop are bound by their office to present an annual report to the local ordinary who is to present it for examination by the finance council; any contrary custom is reprobated.

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

The parish must render an annual account of its administration of these temporal goods to the bishop. It must also render an account to the faithful of the parish although the manner and frequency of this accounting is left to particular law (diocesan norms). We interpret this required accounting to the faithful, especially when coupled with the required assistance from the faithful in the administration of these goods, to reflect the Church's wisdom that an open flow of its financial information encourages trust by and greater financial participation from the faithful.

The Principles for Parish Finance Councils

1. Responsibilities of a Parish Finance Council Should Be Plainly Defined.

The responsibilities of the Parish Finance Council in accordance with diocesan norms should include at least the following

- Stewardship and development;
- Approving budgets and financial statements;
- Supervising an independent audit, if the parish deems one appropriate;
- Establishing and reviewing accounting policies and internal controls including the control of cash; and
- Reviewing and approving material dispositions, acquisitions, leases, borrowings, or encumbrances of parish assets.

A parish should

- Specify those responsibilities left to the discretion of the Parish Finance Council by the diocesan norms;
- Define those matters over which the Finance Council is to provide advice and/or consent in accordance with diocesan norms, including
 - the appointment of a business manager for the parish;
 - Matters pertaining to the assets of the parish, including risk management and investment;
- Maintain parish financial information with accounting software that can produce the financial reports the Council's duties require. Such software should provide for the parish a balance sheet, an income statement, and a general ledger with subsidiary ledgers for accounts receivable and payable;
- Provide the Finance Council with all financial records of the parish and any supporting materials, including audits of the parish undertaken by the diocese, as necessary to fulfill the Council's responsibilities.

2. Parish Finance Council Members Should Have Diverse Financial Expertise

A parish should

- Compose the Finance Council with:
 - Members that meaningfully reflect the financial expertise available to the parish;
 - Members at least 2/3 of which are independent of the parish and diocese (i.e., individuals (i) who, or whose immediate family members, are not employed by the parish or diocese, or (ii) who, or whose immediate family members, do not have a material business or professional interest with the parish or diocese);
- Define minimum requirements and attributes for individual service on the Finance Council, including that any such individual:
 - Is a Roman Catholic;
 - Is a registered member of the parish; and

- Has the experience necessary to meaningfully contribute to the Finance Council.
- Establish a process by which Council members are replaced as vacancies arise wherein the Council nominates these replacements.

3. **Governance Principles and Structures for a Parish Finance Council Should Be Established.**

A parish should

- Develop a structure, size and terms of service for the Finance Council that includes staggered groups of members serving over the course of years.
- Establish leadership roles and responsibilities for the council, including
 - A Chair, normally the pastor, to preside over council meetings;
 - A Vice-chair, normally an independent layperson, working with the pastor to set the agenda of council meetings and to provide the agenda and other materials to Finance Council members in advance of meetings; and
 - A Secretary to record the minutes of council meetings.
- Establish Finance Council committees to which the Council may delegate certain functions, the qualifications for the make-up of any such committee, and the procedures under which each Committee is expected to operate and communicate its actions. Committees may include
 - Audit Committee,
 - Budget Committee,
 - Investment Committee,
 - Nominating Committee,
 - Executive Committee, and
 - Other committees as deemed appropriate by the Council.
- Establish conflict of interest rules and procedures for the Finance Council to follow whenever a possible conflict arises, including
 - Requiring the disclosure of any matter that creates a conflict or that may give rise to the appearance of a conflict;
 - Prohibiting a member from participating or being present during the deliberation, consideration, or voting on any matter in which that member may have an interest; and
 - Documenting and disclosing council deliberations and decisions regarding conflicts of interest matters.

4. **How a Parish Finance Council Operates Should Be Defined.**

A Parish should

- Provide for regular Council and Council Committee meetings at a frequency that permits issues to be timely, thoroughly, and openly discussed in appropriate depth.
- Provide a mechanism for calling more frequent meetings when needed.

- Provide administrative support reasonably necessary for Council members to receive and review all matters to be considered sufficiently in advance of any meeting [where such services might prove to be a financial burden, it might be appropriate for contiguous parishes to share services].
- Specify the means by which any member may submit matters for consideration to the Finance Council.
- Specify the manner in which Finance Council meetings are to be conducted.
- Specify the continuance of the Finance Council upon the vacancy of a pastor.

5. **Appropriate Disclosure of Parish Finance Matters Should Be Made.**

A Finance Council should

- Communicate in a manner it deems appropriate to all parish members certain parish financial information, including
 - Annual financial statements; and
 - Significant financial events.
 - Provide that minutes of the Finance Council and its Committees summarize the substance of the matters discussed by it and any actions taken with respect to those matters.
 - Define procedures for maximizing openness and minimizing secrecy in parish financial matters and Finance Council proceedings, including procedures for disclosing externally matters on which the Pastor rejects the advice of the Finance Council.
 - Provide for a lay liaison between the Parish Finance and Pastoral Councils.
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