100.0 - Finance Councils

Canon 1254 states that "To pursue its proper purposes, the Catholic Church by innate right is able to acquire, retain, administer, and alienate temporal goods independently from civil power. The proper purposes are principally: to order divine worship; to care for the decent support of the clergy and other ministers; and to exercise works of the sacred apostolate and of charity, especially toward the needy."

In order to assure that expertise is available to assist with decisions made relative to temporal goods, Universal Church Law prescribes the forming of Finance Councils at the Diocesan and Parish level. The Diocese of Columbus has expanded this to require that all juridic persons will establish a Finance Council in compliance with the policies in this section. In fulfilling its responsibilities, the 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 church resources must be measured as much by their contribution to church mission and ministry as by commonly accepted business standards.

The policies and guidelines in this section were created in accordance with Universal Church law and the recommendations of the United States Conference of Catholic Bishops Accounting Practices Committee (APC) and Committee on Budget and Finance.

REFERENCES:

Code of Canon Law – c.193.2; c.492.1; c.492.2; c.492.3; c.493; c.494; c.537; c.1254; c.1263; c.1277; c.1281.2; c.1287.1; c.1305

USCCB Accounting Practices Committee: Parish Financial Governance; March 2007

USCCB Committee on Budget and Finance: Diocesan Financial Issues; Revised August 2007

Definition of "alienate" or "alienation" as used in this section: alienation is the transfer of ownership (total or partial) of temporal goods. Usually, it is the total transfer of ownership affected by a sale, gift or exchange. Accordingly, alienation includes both the receiving and giving up of the ownership of temporal goods.

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101.0 - Establishment

The Code of Canon Law requires that a Finance Council be established and maintained at a Diocesan level, and in each Parish. In addition, Diocesan policy requires that a Finance Council be established and maintained at each school not directly controlled by a Parish (i.e. High School and interparochial/consolidated elementary schools). The policies which specify the requirements for each type of entity (Diocese, Parish, School) are as follows:

101.1 – Establishment – Diocese

101.2 – Establishment – Parish

101.3 – Establishment – High School and Interparochial/Consolidated Elementary School

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101.1 - Establishment—Diocese

The Diocese of Columbus will establish a Finance Council for the purpose of advising the Bishop of Columbus and his staff regarding financial matters of the Diocese as defined in these policies. The membership of the Finance Council shall consist of ten or more members of the Christian faithful who participate either ex-officio or upon the appointment of the Bishop of Columbus as at-large members. The ex-officio members will include: the Bishop of Columbus; the Vicar General; and the Finance Director. Appointed members will consist of:

- One or more persons who are expert in finance, business, investments, accounting or banking
- One or more persons who are expert in real estate
- One or more persons who are expert in civil law
- A priest to represent presbyteral and pastoral concerns
- Other persons, clergy or lay, as chosen by the Bishop

All appointed members will serve for five-year terms which are renewable. Any member, however, is subject to removal at the will of the Bishop of Columbus.

Vacancies are filled from time to time as the Bishop may choose. The Finance Council is encouraged to make recommendations to the Bishop in this regard.

The Bishop shall appoint a member of the Diocesan Finance Office staff as Secretary for the purpose of creating minutes of the meetings. The Secretary may be a voting or non-voting member of the Finance Council, at the discretion of the Bishop.

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101.2 - Establishment—Parish

Each Parish will establish a Parish Finance Council for the purpose of advising the Pastor and his staff regarding financial matters of the Parish as defined in these policies. The membership of the Parish Finance Council shall consist of five or more members of the Christian faithful who participate upon the appointment of the Pastor as at-large members. Each at-large member must be truly expert in financial affairs or civil law, outstanding in integrity, and appointed by the Pastor. Financial staff of the Parish who would attend the Parish Finance Council would include the Business Manager, Administrator or Bookkeeper. These staff members are non-voting members of the Council.

At-large members shall consist of:

- Four or more persons who are expert in finance, business, investments, real estate, accounting or banking
- One or more persons who are expert in civil law

All at-large members will serve for three-year terms which are renewable. No at-large member should serve more than three consecutive terms. Any member, however, is subject to removal at the discretion of the Pastor for just cause. Vacancies are filled from time to time as the Pastor may choose. The Parish Finance Council is encouraged to make recommendations to the Pastor in this regard.

A secretary may be appointed by the Pastor for the purpose of creating minutes of the meetings. The secretary is a non-voting member of the Council.

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101.3 - Establishment—High School and Interparochial/Consolidated Elementary School

It is the policy (particular law) of the Diocese of Columbus that each High School and interparochial/consolidated elementary school will establish a School Finance Council for the purpose of advising the Principal, Superintendent and school staff regarding financial matters of the school as defined in these policies.

The membership of the School Finance Council shall consist of five or more members of the Christian faithful who participate upon the appointment of the Principal, with the approval of the Superintendent, as at-large members. Each at-large member must be truly expert in financial affairs or civil law, outstanding in integrity, and appointed by the Principal. Financial staff of the School who would attend the School Finance Council would include the Business Manager or Bookkeeper. These staff members are non-voting members of the Council.

At-large members shall consist of:

- Four or more persons who are expert in finance, business, investments, real estate, accounting or banking
- One or more persons who are expert in civil law
- Other persons appointed by the Principal and approval of the Superintendent

All at-large members will serve for three-year terms which are renewable. No at-large member should serve more than three consecutive terms. Any member, however, is subject to removal at the discretion of the Principal and Superintendant for just cause. Vacancies are filled from time to time as the Principal may choose and the Superintendent may approve. The School Finance Council is encouraged to make recommendations to the Principal and Superintendent in this regard.

A secretary may be appointed by the Principal for the purpose of creating minutes of the meetings. The secretary is a non-voting member of the Council.

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102.0 - Written Guidelines and Norms

In order for all members of each Finance Council to be familiar with the responsibilities they accept as a member, a written charter will be created that clearly defines the duties, authority and responsibilities of the Finance Council. At a minimum, the document will contain the duties, authorities and responsibilities that are outlined in this manual.

An example of a Finance Council Charter for a Parish has been included as section **1804.0.**

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103.0 - Role & Responsibility of Finance Councils

Universal Church law and the recommendations of the USCCB provide particular roles and responsibilities that Finance Councils will fulfill. The following documents detail the roles and responsibilities of the listed entity:

103.1 – Role & Responsibility of Finance Councils – Diocese

103.2 – Role & Responsibility of Finance Councils – Parish

103.3 – Role & Responsibility of Finance Councils – High School and Interparochial/Consolidated Elementary School

In addition, each juridic person may choose for their Finance Council to fulfill additional roles and responsibilities. Guidelines on additional roles and responsibilities to consider are included in policy **103.4 – Role & Responsibility of the Finance Council – Additional Guidelines.**

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103.1 - Role & Responsibility of Finance Council—Diocese

The Diocesan Finance Council exists to advise the Bishop of Columbus and his staff regarding financial matters of the diocese. Whenever Universal Church law or particular law for the United States requires either the counsel or consent of the Diocesan Finance Council prior to the Bishop's taking action on a certain matter (e.g., acts of extraordinary administration or alienation), these matters will generally be considered at a regular meeting of the Diocesan Finance Council. If this is not feasible due to urgency or logistical difficulties, the required counsel or consent, may be sought by other methods provided all Diocesan Finance Council members are contacted and provided an equal opportunity to provide counsel or consent.

At a minimum, the responsibilities of the Diocesan Finance Council will include:

1. the preparation of the diocesan budget for the coming year
2. examination of the quarterly financial reports
3. give counsel to the bishop regarding the imposition of a moderate diocesan tax or extraordinary tax
4. give consent to the bishop regarding acts of extraordinary administration as defined in Universal Church law or the particular law for the United States
5. give counsel to the bishop on the matter of ordinary vs. extraordinary acts of administration for juridic persons subject to the bishop
6. to review annual financial reports submitted to the diocesan bishop by administrators of ecclesiastical goods
7. give counsel to the bishop regarding acts of alienation
8. give counsel to the bishop regarding the investment of pious foundation
9. give counsel to the bishop regarding the equitable diminishment of obligations arising from a pious will
10. give counsel to the bishop regarding the appointment of the Diocesan Finance Director
11. review internal control and procedural comments generated by periodic audits of the Diocese and recommend changes consistent with implementation of the recommendations.

Each year the Diocesan Finance Council will send a compliance letter to the Archbishop of Cincinnati containing:

- The names and professional titles of the members of the Diocesan Finance Council
- The dates on which the Diocesan Finance Council has met during the preceding fiscal year and since the end of the fiscal year
- The dates on which the financial statements for the fiscal year were approved by the Diocesan Finance Council
- A statement signed by the Bishop and the Diocesan Finance Council members that they have met, developed and discussed the financial statements and budget of the Diocese

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103.2 - Role & Responsibility of Finance Council – Parish

The Parish 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 is responsible for parish financial and temporal management. The Parish Finance Council is a consultative body that assists the pastor in fulfilling this responsibility. While the Parish Finance Council is not a decision making body, except as defined herein, there are instances where its consultation is required.

Although the pastor is not obligated to follow the counsel of the Parish Finance Council, the pastor should not act against such advice, especially when there is consensus, unless there is an overriding reason. When acting contrary to its counsel, the pastor should provide an explanation to the Parish Finance Council regarding the reasons for his decision.

At a minimum, the responsibilities of the Parish Finance Council will include:

1. participation in the preparation of the parish budget for the coming year
2. examination of the financial reports of the parish during each Finance Council meeting, with particular attention paid to the quarterly financial reports submitted to the Diocesan Finance Office
3. give counsel to the pastor regarding acts of extraordinary administration as defined by the Diocesan Bishop (i.e. alienation of property, incurring indebtedness, encumbering assets, entering into contracts, undertaking major projects—where the value is greater than $10,000)
4. give counsel to the pastor on matters of ordinary vs. extraordinary acts of administration
5. to review quarterly financial reports submitted to the diocesan bishop by the parish
6. give counsel to the pastor regarding acts of alienation
7. give counsel to the pastor regarding the investment of pious foundation
8. give counsel to the pastor regarding the equitable diminishment of obligations arising from a pious will
9. give counsel to the pastor regarding the hiring of the financial staff
10. publish the annual financial statements and budgets to the Parish community
11. review internal control and procedural comments generated by periodic compliance reviews of the Parish and recommend changes consistent with implementation of the recommendations.

Each year the Parish Finance Council shall send a letter to the Bishop of Columbus containing:

- The names and professional titles of the members of the Parish Finance Council
- The dates on which the Parish Finance Council has met during the preceding fiscal year and since the end of the fiscal year
- The dates on which the approved financial statements for the fiscal year and budgets for the next fiscal year were made available to the Parish community. A copy of the approved financial statements and budgets should be provided to the Bishop with the letter.
- A statement signed by the pastor and the Parish Finance Council members that they have met, developed and discussed the financial statements and budget of the Parish

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103.3 - Role & Responsibility of Finance Council – High School and Interparochial Consolidated Elementary School

The School Finance Council works closely with the principal who is accountable to the diocesan Superintendent of Schools for the administration and stewardship of the temporal goods of the school. The principal is responsible for school financial management. The School Finance Council is a consultative body that assists the principal in fulfilling this responsibility. While the School Finance Council is not a decision making body, except as defined herein, there are instances where its consultation is required.

Although the principal is not obligated to follow the counsel of the School Finance Council, the principal should not act against such advice, especially when there is consensus, unless there is an overriding reason. When acting contrary to its counsel, the principal should provide an explanation to the School Finance Council and Superintendent regarding the reasons for his/her decision.

At a minimum, the responsibilities of the School Finance Council shall include:

1. participation in the preparation of the school budget for the coming year
2. give counsel to the principal regarding acts of extraordinary administration as defined by the Diocesan Bishop (i.e. alienation of property, incurring indebtedness, encumbering assets, entering into contracts, undertaking major projects – where the value is greater than $10,000)
3. give counsel to the principal on matters of ordinary vs. extraordinary acts of administration
4. to review monthly financial reports submitted to the diocesan bishop, diocesan finance office and/or Superintendent by the school
5. give counsel to the principal regarding the hiring of the financial staff
6. publish the financial statements and budgets to the School Advisory Board
7. review internal control and procedural comments generated by periodic compliance reviews or audits of the School and recommend changes consistent with implementation of the recommendations.

Each year the School Finance Council shall send a letter to the Bishop of Columbus containing:

- The names and professional titles of the members of the School Finance Council
- The dates on which the School Finance Council has met during the preceding fiscal year and since the end of the fiscal year
- The dates on which the approved financial statements for the fiscal year and budgets for the next fiscal year were made available to the School Advisory Board.
- A copy of the approved annual financial statements and budgets should be provided to the Bishop with the letter.
- A statement signed by the principal and the School Finance Council members that they have met, developed and discussed the financial statements and budget of the school

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103.4 - Role & Responsibility of the Finance Council—Additional Guidelines

In addition to the policies outlined in this manual, other areas that should be considered for inclusion in each Finance Council charter include:

- Consult on management of funds, including those invested in the Parish Aid Fund
- Consult on review, evaluation and establishment of banking arrangements
- Review of indebtedness both incurred and intended
- Review of financial statements – statement of position (balance sheet); statement of activities (income statements); statement of cash flow; comparisons to budget as well as prior year results.
- Review the activities of any auxiliary group and verify cash balances of bank accounts. Annually meet with auxiliary groups to review the reporting of past year's activities and review the budget for the coming year. Assess the accounting practices and internal control procedures in use to insure compliance with diocesan policies. Review the activities of the auxiliary group to assure that they are not jeopardizing our tax-exempt status.
- Consult on the construction or renovation of facilities, the sale or purchase of property, and lease agreements. The Finance Council assists in planning for repair, replacement or service of property and equipment to assure that buildings and property are properly maintained. Review maintenance and utility costs seeking to minimize costs through preventative maintenance, energy conservation and the implementation of risk management programs and recommendations.
- Review of fundraising activities
- Assess effectiveness of existing fund-raising programs and recommend new programs or changes to existing programs if revenues are insufficient.
- Become knowledgeable on diocesan financial policies and norms to provide advice on implementation. Evaluate compliance with diocesan financial policies and norms and assist in meeting these obligations.

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104.0 - Regular Meetings

Meetings of the Finance Council are to occur no less frequently than quarterly. At a minimum, each meeting will have on its agenda:

1. Review and approval of minutes from the prior meeting
2. Review of the financial statements from the end of the most recently completed fiscal month end (may be for fiscal quarter if meetings are held quarterly), including
    - Statement of Financial Position (balance sheet)
    - Review of the Statement of Activities (income statement)
    - Review of the Statement of Cash Flows

In order for the Finance Council to transact business, all members must be legitimately informed of the time and place of the meeting, and a quorum of the voting members must be present. A quorum shall be considered fulfilled if 1 more than 50% of the voting members are present. The act of a majority of the voting members present at any meeting at which there is a quorum shall be the act of the Finance Council.

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105.0 - Record of Meetings

A written record will be made of all Finance Council meetings and maintained on file. The minutes shall include the main topics reviewed, a summary of any discussion and any votes taken. The permanent record shall include meeting minutes, agendas, handouts, reports, and materials reviewed during the meeting for future reference by either internal or external parties.

The records and documents of Finance Council meetings shall be kept confidential until such information is released by the Bishop (Diocesan Council), Pastor (Parish Council), or Principal (School Council).

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106.0 - Confidentiality

Finance Council members are to maintain confidentiality on all matters, until the Bishop (Diocesan Council), Pastor (Parish Council) or Principal (School Council) has released them from this duty. Confidentiality provides for free and honest discussion amongst the members. Materials such as agendas, meeting minutes and review materials are not to be disclosed to others unless specifically released from confidentiality. Breaking of confidentiality is grave cause which may lead to removal of a member from a Finance Council.

Finance Council meetings are typically not open to the community. Communication to the community is to occur only after decisions are finalized. Communication should also occur at an appropriate time when studying an issue that requires solicitation needs and concerns, gifts and resources of the community. The primary purpose of the Finance Council is to provide open and honest advice. If the meetings occurred in a public forum, the discussion may be too limited. The Finance Council should provide advice on the best ways to keep the community informed and involved in key issues and decisions.

Finance Council members will receive a significant amount of information (i.e. minutes, financial statements, proposals, etc.) during their tenure. At the conclusion of a Finance Council member's tenure, all materials accumulated as a result of serving on Finance Council that are in that individuals possession, are to be returned to the entity so that they can be destroyed. If, while an individual is serving on Finance Council, they wish to eliminate materials distributed to them as part of Finance Council, the materials should either be shredded or returned to the entity for disposition.

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107.0 - Conflict of Interest

Each Finance Council member owes a duty of loyalty. The duty of loyalty requires a Finance Council member to act in the interest of the Church or School rather than in the personal interest of the member or some other person or organization. In particular, the duty of loyalty requires a Finance Council member to avoid conflicts of interest that are detrimental to the Church or School.

Any person who may have an actual, potential or apparent conflict of interest, either related to the Finance Council member, the member's family or the member's business, must identify the actual, potential or apparent conflict of interest and recues themselves from any discussions of the Finance Council to which that conflict of interest pertains.

On an annual basis the Finance Council members will disclose in writing any known financial interest that the individual, or a member of the individual's family, has in any business entity that transacts business with the Church or School (see policy 1805.0 for example of Conflict of Interest statement and policy 1805.1 for example of Conflict of Interest Policy).

No member of the family of an employee or relative of the bishop/pastor/principal/superintendent, as applicable, may serve on the Finance Council.

No Church or School employee, unless membership is specifically granted by these policies, may serve on the Finance Council.

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

Members of the Finance Council may serve in other volunteer service roles in the Church such as other committees or boards if, in the judgment of the bishop/pastor/principal/superintendent, as applicable, such dual service will not create conflict of interest situations.

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108.0 - Internal Controls

Each Finance Council is responsible for assisting the Pastor/Principal/Director in assuring that adequate internal control and procedures exist over funds received and disbursed so that reports are accurate and the temporal goods being administered are used for their intended purpose.

If written procedures do not exist, the Finance Council is to participate in the development of written procedures for cash receipts, cash disbursements, administration of bank accounts, petty cash and payroll. At all times the procedures must comply with the policies in the Financial Policy Manual.

The Finance Council must review the financial reports for general operations, school(s) and other organizations or programs with bank accounts or revenue collection responsibilities, to determine that proper accounting practices and internal control procedures are in place. Alternatively, a CPA firm may be engaged to perform an internal controls review.

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