



FINANCE DIRECTIVES and
FINANCE COUNCIL NORMS

For Parishes in the
DIOCESE OF GALLUP

2006

We seldom think of the Church as an organization with financial concerns. However, in order to realize our vision of being partners “...committed to the continuing growth and renewal of the Catholic Church in the Diocese of Gallup” (cf. Diocese of Gallup Vision Statement), we must exercise good judgment, prudence, and practical management concerning our stewardship of Church resources.

Canon Law provides directives for the universal Church regarding financial responsibility and finance councils (See Appendix A). While these directives refer to “parishes”, they are applicable to all Public Juridic Persons (parishes, schools, etc.) within the Local Church of Gallup.

FINANCIAL DIRECTIVES

I. INTRODUCTION

As the Church accomplishes its spiritual mission through the material resources at its disposal, we must insure that these resources are cared for in a practical manner. These directives are meant to help the pastor or parish administrator and the parish finance council better manage the parish financial resources. The directives are not intended to be exhaustive; recommendations will be made during a parish financial review that will be more appropriate and specific to the individual parish. The administrative Synodal Decrees of 1983 are still in effect unless they are specifically replaced by one of the following financial directives.

As well as safeguarding the material goods of the Church, compliance with these directives will help protect those people involved with the financial management of the parish from unfounded accusations and possible lawsuits. One of the principles underlying the directives is to make sure that one person does not have exclusive control over any aspect of parish finances. If this were the case, it would be difficult for that person to defend allegations of irresponsible financial management. In our modern world we must be careful that the goods freely given to the Church are properly accounted for. In fact, the Church should set an example of proper financial management and accountability.

The Church has consistently taught that every person has dignity and value by reason of their humanness. Establishing proper financial controls will preserve that dignity by protecting people from suspicion, removing temptation, avoiding both division in the community and the emotional drain financial problems may cause, and preventing damage to the community’s reputation.

We must keep in mind however, that we need to strike a balance between fulfilling the mission of the Church and aggressive financial management. Our administration should be based on the love of God and his people, not commerce; we are a people of faith not finance.

II. GENERAL PROCEDURES

A. BANK ACCOUNTS

1. Parishes that have a large amount of money (over \$100,000.00 in account (s) in any one bank) should be aware that the federal insurance limitations pertain to the financial institution and not the account.
2. All parish bank accounts must use the Federal Employer Identification Number of the parish in order to help insure their tax exempt status. The parish must not use the FEIN of the diocese.
3. All bank statements with the parish name and or FEIN number attached to it must be mailed to the parish office. In no circumstance can it be mailed to a private address.
4. Bank accounts must be maintained and reconciled promptly after receiving the bank statements to minimize clerical errors and to insure the integrity of the financial records of the parish. The statement should be reconciled by someone other than the check signers and those controlling the checking account. The individual responsible for reconciling the account should receive the bank statement unopened. All appropriate information must be entered on the check stubs (i.e. payee, amount, balance)
5. More than one signer should be authorized for parish bank accounts. Accounts must be accessible for parish business but properly safeguarded from unauthorized use. The pastor must be a signor on ALL parish accounts. The number of bank accounts should be kept to a minimum.
6. Personal bank accounts must never be commingled with parish financial records. Parish funds shall not be used to pay the personal expenses of the pastor, administrator, or any other person.

B. INSURANCE

1. The parish must carry adequate insurance with Catholic Mutual Group to cover parish buildings and property. Buildings should be insured for replacement value unless there is sufficient reason for not doing so.

2. If the parish rents a hall or building, the parish must obtain a certificate of insurance from the renter for proof of liability insurance, or a signed Catholic Mutual Adult Hold Harmless/Indemnity Agreement.
3. Individuals partaking in parish sponsored outings or field trips must sign the appropriate wavers, medical releases, etc.
4. Parish vehicles are to have liability insurance for no less than \$500,000.00.

C. ASSESSMENT

1. Parish assessment is calculated a ten percent (10%) of Sunday and Holy Day collections.
2. All parishes must send their assessment to the diocesan financial office on a **monthly** basis.

D. FINANCIAL STATEMENTS

1. The fiscal year for the parish will start on July 1 and end on the following June 30.
2. The annual financial statement required by the Diocese is due in the diocesan finance office not later than August 15.
3. An annual financial summary of receipts and expenditures must be made available for parishioners.
4. Parish financial statements must conform to diocesan formats. **ALL** parish financial information (i.e. bank accounts, investment accounts, etc.) must be reflected on the statements. Every organization that operates within the parish (i.e. youth group, altar society, men's club, etc.) must submit their accounting information to the parish for inclusion in the parish financial statements.

E. ACCOUNTING RECORDS

1. A written or computer generated set of financial records must be maintained by the parish (canon 1284).
2. Bank account documentation and payroll records must be archived permanently. Other parish financial records are to be archived for a reasonable amount of time (See Appendix B)

3. Parish financial records should be readily accessible to the parish finance council.
4. All parishes are required to follow the appropriate state laws governing the exemption of the Church from state sales tax.
5. All Catholic Schools in the diocese must maintain financial records separate from the parish.
6. The officially recommended software for parish accounting is the QuickBooks Non-Profit Edition by Intuit, Inc.
7. Parishes are required to use the Diocesan Standard Chart of Accounts.

III. INTERNAL CONTROLS

A. CASH MANAGEMENT

1. Collections must be properly safeguarded until the money can be counted.
2. The process for counting the collections must insure the integrity of the collection money (i.e. use of pre-numbered counting sheets, rotation of counting teams, etc.)
3. The procedures for counting, recording, and depositing the collections must insure the protection of the people involved from allegations of theft.
4. ALL collection money must be deposited in the parish operating account (checks, bills and coins). Cash from the collections cannot be used for any reason. Checks from the collection cannot be cashed separately.
5. Special collections and diocesan collections must be collected and counted separately from the regular collections. A check should be written to the diocese within 30 days specifying the collection it is to be applied to.
6. Money received for Mass obligations should not be deposited into parish bank accounts. If it must, a check for the Mass stipend (s) must be written immediately to the priest for the amount of the stipend(s). Canons 953-958 set forth the duties of priests for seeing that Mass obligations are fulfilled.

B. DONATIONS

1. Records must be kept of parishioner's weekly contributions made by envelope. If requested by a parishioner for tax purposes, the parish must supply a statement listing their total envelope contributions for that calendar year.
2. Large donations must be acknowledged per government (IRS) regulations (See IRS Publication 526—Charitable Contributions for specific details). A written acknowledgement to the donor for single contributions over \$250.00 must include:
 - a. The amount of cash contributed.
 - b. A description (but not the value) of property contributed.
 - c. Any goods or services received as a result of the contribution.
 - d. A description and good faith estimate of the value of goods or services described in (c)
3. Money collected or donated for a specific purpose (i.e. building fund) must be restricted and used only for that purpose.
4. The Bishops' statement *Principles and Guidelines for Fund Raising in the United States by Arch/Dioceses, Arch/Diocesan Agencies, and Religious Institutes* (NCCB 1997) shall be used as additional guidelines for fundraising projects. (See Appendix D)
5. Donations of real property may only be accepted with the written approval of the Bishop. Property may only be accepted under the following conditions:
 - a. There must be an on-site inspection and proper research to determine that there are no environmental problems, unsightly trash/aesthetic detriments, or continued maintenance.
 - b. The property must have some realistic future use or sale.
 - c. There must be no restriction placed on the donation of property.
 - d. A clean title search must be preformed.

Real property must be placed in the name of “The Roman Catholic Church of the Diocese of Gallup” (in NM), or “The Bishop of the Roman Catholic Church of the Diocese of Gallup, New Mexico” (in AZ). The parish cannot civilly own property because it is not separately incorporated.

C. EXPENDITURES

1. The parish checkbook and all blank check stock must be safeguarded against unauthorized use.
2. All invoices must be paid by check. Checks should not be made payable to “Cash” unless reimbursing the petty cash fund. Petty cash may be used for miscellaneous purchases (refer to part VII. Petty Cash for proper procedures).
3. All checks must be made payable to a specific person/business. A check should never be made payable to “Cash.” All checks must be documented by an invoice or appropriate paid receipt.
4. Reimbursable expenses paid to individuals must also have documentation such as a receipt, credit card statement, etc.
5. Files for paid invoices, receipts, and other financial information must be maintained and stored per diocesan record retention guidelines. (See Appendix B)
6. Any single expenditure, other than recurring monthly bills, that is greater than 10% of the annual Sunday collections must have written diocesan approval before the funds are committed. If the expenditure can be divided (i.e. made in several payments or completed in several phases) the total amount of the expenditure(s) must be used in determining whether diocesan approval is needed.
7. The parish may not negotiate a loan for any amount with any agency without prior written diocesan approval, nor can the parish loan money without diocesan approval.
8. When two or more parishes share the expenses of a priest, or other pastoral minister, one parish should be designated to pay the priest directly (i.e. salary, car allowance, meals, etc.) Through the parish finance councils, a determination will be made on how to reimburse the designated parish (i.e. a standard percentage of expenses or a standard flat amount.)

9. Donations or Social Justice distributions to individuals, organizations, or businesses should be paid by check and the purpose documented.

D. PAYROLL

1. The proper government regulations must be followed regarding antidiscrimination laws, hiring practices, treatment of employees and wages paid by the parish.
2. Wages paid by the parish must be reported to all appropriate government agencies. This includes people working as independent contractors or employees. Diocesan priests are not exempt from this requirement and must be given a W-2 for income tax purposes. A “stipend” is still considered taxable wages. Refer to *Income Taxes for Priests only* by Wayne Martin Lenell for specifics on IRS compliance for priests’ taxes.
3. Personnel files must be maintained for all employees. Files should include the appropriate federal and state withholding forms, federal immigration form, wage reporting information, and any other government mandated records.
4. All employee benefits and agreements must be in writing and made part of their personnel file. All benefits shall be defined by the *Diocese of Gallup Policy and Procedures Manual*.
5. Extension Society (or other grant) funds given to the parish and paid directly to an individual are considered wages paid by the parish (See III.D.2.)
6. State laws regarding Worker’s Compensation must be followed.

IV. DIOCESAN PRIEST BENEFITS

(May be amended by Presbyteral Council Minutes)

- A. A salary of \$611.94/month for service of 1-5 years and \$639.25/month for 5+ years (as of 1/1/06) with a 3% increase per year effective Jan.1 of each year, is paid by the parish.
- B. The following benefits are paid by the parish:
 1. A car allowance of \$295.00/month, to cover depreciation
 2. All insurance for the priest's vehicle (minimum \$500,000 liability), registration, and license.

3. Ordinary maintenance for one vehicle used in the service of the parish.
 4. Gas and oil for one vehicle when used for parish business.
 5. Reasonable cost of groceries and meals.
 6. Lodging.
 7. Normal utilities including (but not limited to) heating, electricity, telephone, and long distance phone charges if concerned with parish business.
 8. A diocesan priest's retirement fund contribution of \$50.00/month (paid to the diocese).
 9. The full amount of priest's health insurance (paid to the diocese). The deductible and co-pay (if any) for diocesan priests. Notes: this benefit may be negotiated between the parish and the diocese for those parishes in financial need.
 10. Reasonable expenses for retreats, conventions, workshops, etc.
- C. The following expenses are the responsibility of the individual Priest:
1. Purchase of personal vehicle.
 2. Personal phone charges.
- D. The Diocese is responsible for:
1. Normal eye care.
 2. Normal dental care.
- NOTE: The priest must call the diocese in advance of any procedures for confirmation on the specific coverage for eye and dental care.
- E. The accountability of Mass stipends is the responsibility of the priest. Such stipends are considered taxable income by the IRS.
- F. The parish and pastor MAY NOT negotiate any of these benefits. The benefits are determined only by the Bishop after consultation with the Presbyteral Council.
- G. A priest who is substituting for a resident priest shall be paid according to the norms set by the Presbyteral Council. Currently the rate is \$40.00 per weekend plus mileage reimbursement at the standard IRS rate.

1. If the priest's mileage has already been paid for by his resident parish, arrangements should be made for reimbursement from the visiting parish to the parish of residence.
- H. Any visiting priest, from outside the Diocese, must have approval from the chancery before they are allowed to minister within the diocese. Please call the Chancellor for information.
- I. Compensation for religious order priests, sisters, and brothers are made on an individual basis with the diocese or parish and province.

V. DEACON BENEFITS

- A. Deacons should receive reimbursements for parish approved required expenses during ministry from parish. Such expenses include but are not limited to mileage, books, retreats, conferences, vestments, continuing education expenses.
1. Deacons are free to donate these reimbursements back to the parish if so desired.
- B. If only a deacon performs sacrament (i.e. baptism), then the deacon splits the stole fee with parish.
1. If deacon participates with priest (i.e. marriage with Mass), then priest and deacon split the ministers portion of the stole fee in an appropriate way depending on the function of each minister.
 2. If deacon is asked to minister outside his parish (i.e. SCAP or funeral), then he should receive the same stipend as a visiting priest would receive.
- C. Deacons should negotiate salaries individually with parish based on the extent of ministry.
- D. All stipends and stole fees are taxable income. Deacons need to be aware of and in compliance with IRS laws regarding ministry salaries.
1. Deacons should use an accountable plan for reimbursements in order for the reimbursements to be nontaxable.

VI. BUDGET.

- A. An annual budget process should be established by each parish (c. 1284.3).
- B. The annual budget should be prepared under the supervision of the finance

council and reviewed periodically comparing it with the parish financial statements.

- C. A copy of the approved current fiscal year budget will be submitted to the Diocesan Finance Office with the financial annual report. Note: the annual report will cover the previous fiscal year while the budget will cover the current fiscal year.
- D. The annual budget should be made available to parishioners upon request.
- E. Specific procedures for developing a budget are available from the diocesan finance office.

VII. PETTY CASH

- A. If a petty cash fund is appropriate for the parish the fund must not exceed \$250.00
- B. The fund must be maintained on an imprest cash basis. This means that the cash receipts must always be available to support the disbursement of money from the fund. The receipts plus the money left in the fund should always equal the total amount authorized for the fund.
- C. See the diocesan “Petty Cash Instructions” for specific directions.

VIII. BINGO

- A. All appropriate state laws concerning the management of a bingo operation must be followed.
- B. The parish will submit to the diocese a separate copy of the annual parish bingo financial statement along with the parish annual financial report if the bingo operation is not an integral part of the parish financial statement.

IX. CONSTRUCTION

- A. The parish must have written approval from the Bishop before any major repairs or new construction is begun (see III.C.5). Decrees from the Second Synod of the Diocese of Gallup are still in effect unless otherwise changed in this document. (See Appendix C)
- B. The Bishops’ document Built of Living Stones (NCCB 2001) shall be used as additional guidelines for all major renovation and construction projects. Construction must be in accordance with all applicable building

- C. The parish must have 90% of the cost to complete the project in the bank before the project is begun. A parish building committee will be established to oversee any fund raising and construction details for the project. Written minutes will be kept for all building committee meetings. Monthly reports will be sent to the diocese during the planning, fundraising, and implementation phases of the project. Specific requirements may be different for each individual project. The parish must work with the diocese to establish these requirements during the initial planning phase of the project.
 - D. All construction projects over \$10,000 or involving dangerous work (i.e. the use of scaffolding) must include the Catholic Mutual Addendum to Construction Contract and must be forwarded to the Diocese for review before signing codes and ordinances.
 - E. Before beginning and construction or fundraising, the parish will submit plans and documentation to the Diocesan Building Committee for review and recommendation to the Bishop for approval.
- X. REAL- ESTATE LEASES
- A. Real-Estate cannot be leased without written permission from the Bishop after he has reviewed the lease agreement.
 - B. The lease documents must include a completed Catholic Mutual Addendum to Lease form.
 - C. Formal written (oral leases are not acceptable) legal leases must be used for long term rental (any rental of 1 month or longer) of any Real Estate within the Diocese. It is required that the lease be forwarded to the Bishop for review and authorization. The lease should:
 - 1. Provide landlord’s reversionary interest, which entitles the property owner (Diocese) to retake possession at the end of the term of the lease.
 - 2. Describe the property (i.e. give a street address)
 - 3. Indicate the length of the term, the amount of the rent, and how and when the rent is to be paid.

- a. Periodic tenancy (tenancy for a period determined by the frequency of rent payments; *automatically renewed unless proper notice is given -usually one periods notice- if rent is month to month notice would be a month*) is the recommended tenancy arrangement.
 4. A clause should be added that the property cannot be sublet. The administrator is not to knowingly take payment from a sub lessee; such payment is deemed an agreement to a sublease arrangement.
 5. Tenants must agree to carry renter's insurance, or the lease must disclaim any personal loses suffered by the tenants will not be covered under the Church's insurance policy.
- D. Administrators are to follow all civil laws regarding leasing of property. Including, but not limited to, laws regarding discrimination and tax laws.

FINANCE COUNCIL NORMS

I. INTRODUCTION

“It (the kingdom of Heaven) will be as when a man who was going on a journey called in his servants and entrusted his possessions to them...” As this well known parable indicates, faithful use of one’s gifts will lead to participation in the fullness of the kingdom, lazy inactivity to exclusion from it (Mt 24:14-30, footnotes New American Bible). Because of the complexity of the modern parish, the Church has seen fit to establish parish finance councils in order to aid the pastor in administering the goods of the Church in a wise and judicious manner. Principles of Christian stewardship based on solidarity and subsidiarity must guide the actions of the parish finance council. As with the parish pastoral council, openness, prayer, and discernment should prevail in council decisions. Only then will the council support the parish efforts to achieve its mission.

II. OPERATION

A. FUNCTION

1. It is mandatory that each parish have a finance council to advise the pastor in administration of parish goods (c.537)
2. The parish finance council is meant to advise and support the pastor in his responsibility to administer the temporal goods of the Church.
3. The administrative management of the parish must strike a balance between good business sense and the pursuit of the mission of the parish.

B. RESPONSIBILITIES

1. The pastor is ultimately responsible and has final local authority in all parish financial and administrative matters.
2. Finance council members are ultimately responsible to the Bishop but are directly responsible to the pastor and the parish community.
3. The finance council must follow the laws governing the administration of ecclesiastical goods (canons 1281 through 1284, as well as specific directives from the Ordinary)
4. Minutes of all finance council meetings shall be taken in writing and archived as part of the permanent parish records.

5. The finance council and pastor are to arrive at decisions by consensus. Consensus is the general agreement by members of the group on an opinion, issue, or proposal. The essence of consensus is coming to a common understanding of a position and agreeing to the validity of that position. Individuals may see their personal position as more valid but are open enough to see the merit in the group supported position. When a consensus decision is made, all members of the group must accept and support it. Consensus is not compromise. The group should not settle for a decision which is less than what is desired.

C. MEMBERSHIP

1. The pastor is not a member of the finance council but presides over it. He must be present at all finance council meetings.
2. Considerations for membership are:
 - a. Be a parish member.
 - b. Have integrity.
 - c. Take initiative.
 - d. Have analytical ability.
 - e. Be Sensitive.
 - f. Have good decision making ability and planning skills.
 - g. Be spiritual.
3. Care should be taken to exclude persons who could have a conflict of interest. In keeping with diocesan-wide policy adopted by the Presbyteral Council, terms for the finance council shall be for three years, with a maximum of two consecutive terms.

III. DUTIES

A. FINANCE COUNCIL (the group):

1. Assist the pastor in preparing the annual budget and monitoring this budget by reviewing financial statements on a regular (quarterly) basis.
2. Insure compliance with canon law, diocesan financial directives, and civil law.

3. Coordinate administrative activities, procedures, and schedules with the parish pastoral council so that the temporal and spiritual resources of the parish are used to achieve the same goals.
4. Review financial statements prior to submission to the diocese and parishioners.
5. Review the financial/administrative dimensions of all parish activity and make recommendations to the pastor.
6. Advise the pastor concerning long range parish financial planning.
7. Review and advise on any extraordinary expenditures. (See section
8. Monitor the internal controls of the parish financial and administrative activities.

B. COUNCIL MEMBERS (Individual):

1. Attend all finance council meetings.
2. Be knowledgeable concerning the following:
 - a. Canons pertaining to the temporal goods of the Church.
 - b. Synodal decrees pertaining to the temporal goods of the Church.
 - c. Diocesan Finance Council Norms
 - d. Diocesan Parish Finance Directives and Federal and State laws applicable to the temporal goods of the Church.
3. Contribute financially to the parish as a good steward.
4. Be aware of the need for discretion and confidentiality in parish matters.

- Canon 537 Each parish is to have a finance council which is regulated by universal law as well as by the norms issued by the diocesan bishop; in the council, the Christian faithful, selected according to the same norms, aid the pastor in the administration of parish goods...
- Canon 1276 (1) It is the responsibility of the Ordinary to supervise carefully the administration of all the goods which belong to the public juridic person subject to him... (2) Ordinaries are to see to the organization of the entire administration of ecclesiastical goods by issuing special instructions within the limits of universal and particular law...
- Canon 1281 (1) With due regard for the prescriptions and their statutes, administrators invalidly posit acts which go beyond the limits and procedures of ordinary administration unless they first obtain written authority from the ordinary. (2) The acts which go beyond the limits and procedures of ordinary administration are to be defined in the statutes; if, however, the statutes do not mention such acts, it is within the competence of the diocesan bishop to determine such acts for persons subject to him after he has heard the finance council. (3) Unless and to the extent that it is to its own advantage, a juridic person is not held to answer for acts invalidly posited by its administrators. A juridic person, however, is responsible for acts illegitimately but validly posited by its administrators with due regard for the right to sue or to have recourse against administrators who have damaged it.
- Canon 1282 All administrators are "... to fulfill their duties in the name of the Church and in accord with the norm of the law"
- Canon 1283 Before administrators take office: (1) They must take an oath before the ordinary or his delegate that they will be efficient and faithful administrators; (2) They are to prepare, sign and subsequently renew an accurate and detailed inventory of immovable goods, moveable goods, either precious or of significant cultural value, or other goods along with a description and appraisal of them; (3) One copy of this inventory is to be kept in the archives of the administration; the other, in curial archives; any change whatever which the patrimony may undergo is to be noted on each copy.
- Canon 1284 (1) All administrators are bound to fulfill their office with the diligence of a good householder.

(2) For this reason they must:

Take care that none of the goods entrusted to their care is in any way lost or damaged and take out insurance policies for this purpose, insofar as such is necessary.

Take care that the ownership of ecclesiastical goods is safeguarded through civilly valid methods.

Observe the prescriptions of both canon and civil law or those imposed by the founder, donor, or legitimate authority; they must especially be on guard lest the Church be harmed through the nonobservance of civil laws.

Accurately collect the revenues and income of goods when they are legally due, safeguard them once collected and apply them according to the intention of the founder or according to legitimate norms.

Pay the interest on a loan or mortgage when it is due and take care that the capital debt itself is repaid on due time.

With the consent of the Ordinary invest the money which is left over after expenses and which can be profitably allocated for the goals of the juridic person.

Keep well ordered books of receipts and expenditures.

Draw up a report on their administration at the end of each year.

Duly arrange and keep in suitable and safe archive the documents and deeds upon which are based the rights of the Church or the institution to its goods; deposit authentic copies of them in the archive of the curia when it can be done conveniently.

(3) It is strongly recommended that administrators prepare annual budgets of receipts and expenditures; however, it is left to particular law to issue regulations concerning such budgets and to determine more precisely how they are to be presented.

Canon 1286 Administrators "...are to observe meticulously civil laws pertaining to labor and social policy according to the Church principles in the employment of workers."

Canon 1287 (1) Both clerical and lay administrators...are bound by their office to furnish the local Ordinary with an annual report...(2) Administrators are to render an account to the faithful concerning goods offered by the faithful to the Church...

APPENDIX B

RECORD RETENTION

Files	Retention
Invoices	7 years
Cash Flow Ledger	Permanently
General Ledger	Permanently
Bank Statements/reconciliations	7 years
Canceled Checks	
-for tax purposes, Capital Purchases	Permanently
Important Contracts	
-All other Canceled Checks	7 years
Check Stub	Permanently
Check Registers	Permanently
Petty Cash Documentation	3 years
Contracts	Permanently
Building Insurance	Permanently
Department of Labor Reports	Permanently
Disability Records	6 years
Worker's Comp Records	Permanently
Financial Report Forms	Permanently
Inventory	Permanently
Former Employee Records	3 years
Active Employees (W2, W4)	7 years
Payroll Records	7 years
Tax Deposits	Permanently
General Correspondence	7 years
Adult Hold Harmless/ Indemnity Agreement	2 years

