

Parish Financial Practices Policy Manual

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Statement of Purpose

This Parish Financial Practices Policy Manual has been prepared by the Office of Financial Services to assist pastors, parish staff, and the parish finance council in the financial administration of the parish and its programs. The policies and procedures contained in this Manual are to be followed in order that the parish exercise good stewardship over its temporal affairs as well as comply with civil and canon law, generally accepted accounting practices, and the requirements of the Diocese of Erie. Therefore, this Manual should help pastors to safeguard the assets of the parish, exercise prudence in financial matters, and provide accountability to parishioners and donors. The Office of Financial Services monitors compliance with the policies, procedures, and guidelines contained in the Manual and is available to provide advice and assistance to pastors and parish staff.

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Introduction

In accordance with the Code of Canon Law, a parish is a juridic person established by the bishop to provide for the spiritual welfare and salvation of souls. The bishop appoints the pastor/administrator and parochial vicar(s). In the Diocese of Erie, each parish is also an individual charitable trust under Pennsylvania civil law and the bishop is trustee. The parish is a free standing unit and the pastor, who is the trust administrator, has certain legal and canonical rights and obligations.

As further specified in the Regulations for the Administration of Parish Temporal Affairs in the Roman Catholic Diocese of Erie, the pastor is empowered to assume control over all assets of the parish and to make decisions in administering the parish, its programs, and related organizations. In carrying out his duties, the pastor is assisted by the parish finance council which he appoints and which is established according to the requirements of Canon Law and diocesan policy.

The parish, its programs and related organizations must also comply with the diocesan policies and procedures contained in this Parish Financial Practices Policy Manual. The following paragraphs provide an overview of the general financial and business operating aspects of the parish. More detailed information is contained in the various sections of the Manual.

The fiscal year for the parish and its programs begins July 1 and ends June 30. Parishes, schools, and cemeteries are required to utilize the uniform accounting system established by the diocese and to file annual financial reports with the Office of Financial Services.

The parish operates on a modified cash basis of accounting for recording financial transactions. Income is recognized when cash is received and expense is recorded when payment is made. In conjunction with the preparation of the Parish Annual Report at the end of the fiscal year, certain additional entries are required for the purpose of determining the Financial Status of the parish.

A parish generally operates a variety of programs which may include an elementary school, cemetery, Religious Education and Youth Ministry. It may also include various special interest and support organizations (Altar Rosary Society, Parent Teacher Organizations, Athletics). All organizations that raise funds in the name of the parish and that use the parish name and federal tax identification number are parish related. Organizations which are separate legal entities and use their own federal tax identification number are not considered part of the parish. No parish, school, cemetery, or related organization may be separately incorporated without the approval of the diocesan bishop.

The offertory collection or voluntary offerings of the faithful represents the primary source of parish income. Most parishes have other sources of income from fundraising activities (festival, raffle, bingo, etc.), major capital campaigns, investments, rentals, votive candles, etc. Additional sources of income depend on whether the parish has a school (tuition) or cemetery (lot sales). Typically, a significant portion of the parish income is received in cash. Other cash receipts include the diocesan collections for which the parish collects the funds and remits them to the diocesan Office of Financial Services.

In the Diocese of Erie, parishes are required to support diocesan programs through the Catholic Services Appeal and the Diocesan Fund assessment. The amounts required from each parish are calculated using income-based formulas as described in this manual. Funds raised above the quota for the Catholic Services Appeal are not considered as part of ordinary income and are not subject to assessment.

All parishes are required to support elementary and secondary education. Parishes which operate their own elementary school are to follow the applicable policies for its financing. Parishes included as part of a regional or consolidated elementary school follow the requirements of the applicable agreement. Parishes without schools contribute their support through the elementary education assessment.

The major expense category incurred by the parish is generally for its personnel staff. This includes salary and wage costs and the various employee benefit programs (i.e., health insurance, FICA, retirement). Wherever possible, many parishes use non-paid volunteers to perform certain functions. In some cases, volunteers perform duties that would otherwise be done by paid employees. In general, persons paid for necessary and recurring services are to be treated as employees of the parish and put on a formal payroll. Personnel who receive occasional payment for services may be considered independent contractors if they meet the applicable IRS requirements. Payments to independent contractors are to be reported to the IRS on Form 1099.

The parish maintains a separate checking account for the operation of the parish and, if applicable, separate bank accounts for the school and cemetery. Only the pastor and parochial vicar are permitted to be eligible signers for these accounts, except for the school for which the principal may be permitted to be a signer. Checking accounts may be established for other purposes as well as for parish organizations and activities. The pastor must be an eligible check signer on all parish-related organization accounts.

Parishes are required to publish an annual financial report within a reasonable period of time after the end of the fiscal year. This report should contain sufficient detail and is to be made available to all parishioners through the church bulletin or some other appropriate method. The dissemination of financial information to the parishioners is important for financial accountability and is in accordance with the principles of Christian stewardship.

A separate account is to be maintained for Mass stipends received by the parish. Mass stipends are not income to the parish but instead are paid to the priest who offers the Mass. Only priests may be eligible signers for this account. The financial transactions in the Mass stipend account are not included on the financial report of the parish.