

Parish Financial Cycle

The parish financial cycle may be analyzed in three primary functions: budgeting, monthly transactions, and financial reporting. This paper recommends procedures in each of these three areas.

Budgeting

Each ministry head develops the portion of the budget for which he/she is responsible. The finance committee reviews each specific portion of the budget to ensure that the budget is prepared in conformity with communicated budget guidelines and is based on realistic assumptions and estimates. The finance committee reviews the overall budget to evaluate the parish's ability to support the proposed budget. If necessary, the finance committee should identify areas where the budget may be adjusted in order to achieve at least a break-even position. Finally, the pastor approves a final budget after consultation with the finance council and the parish pastoral council.

Monthly Transactions--Expenditures

Each budgeted expense accounts should be clearly assigned to one staff member, who has sole authority to incur expenses for that account. No more than five or six staff members should have the authority to incur expenses. Examples of appropriate staff members might include the pastor, school principal, day care director, pastoral associate, director of religious education, maintenance director and parish secretary.

The person incurring expenses for a given account has the responsibility to ensure expenditures stay within the approved budget. A "check request" system should be utilized which requires a signed authorization by the person responsible for a given expense account in order to pay a bill. Staff should not be permitted to incur or approve expenditures which are charged to an expense account for which they are not responsible. The parish bookkeeper should prepare checks for all expenditures upon receipt of a properly authorized check request. The pastor should sign all parish checks. The bookkeeper should not be an authorized signer on the checking account. If necessary, two other persons may be added as authorized signers in the absence of the pastor. (Both individuals must sign each check.)

Parishes should set up an efficient system for paying bills. For example, ministry heads should be notified that all check requests must be submitted to the parish bookkeeper by 5:00 p.m. each Wednesday. These checks could be prepared by the bookkeeper each Thursday and signed by the pastor each Friday. Checks would be mailed or available for pick-up by 3:00 p.m. each Friday.

Monthly Transactions--Deposits

Sunday collections should be deposited by collection counters immediately after counting. The amount deposited should match a count sheet signed by the counters which clearly identifies envelope collections (which will be entered into the parishioner contribution records) vs. loose cash. The amount updated weekly in each "batch" should

match the total on the count sheet. Under no circumstances should individuals responsible for parishioner contribution records or general ledger accounting records handle the actual funds to be deposited.

Funds received during the week (such as tuition, day care, etc.) should be clearly identified on a “deposit remittance” as to which general ledger account they should be credited. This identification should be performed by the person responsible for the particular budgeted area, not by the parish bookkeeper. These funds should then be brought to the parish secretary by 3:00 p.m. each day. Each deposit brought to the secretary should be recounted and initialed by the secretary in the presence of the individual bringing the deposit. The secretary should total all deposits for the day, combine them onto one bank deposit slip, and take the deposit to the bank. The secretary should forward copies of each deposit remittance and the bank deposit slip to the bookkeeper for posting to the general ledger. Bank deposits should be made daily unless the amount to be deposited is less than \$200. This is due to both the need to improve cash flow and the risk of keeping funds on hand. (While checks that are stolen cannot generally be cashed by an unauthorized party, they are also difficult to identify and get replaced—often the funds are simply lost.)

The bookkeeper should post all deposits to the general ledger at least weekly. Current posting of deposits to the general ledger will ensure that any questions (such as the total of deposit remittances not matching the bank deposit slip) are handled on a timely basis.

Financial Reporting/Monitoring

On the first day of each month, transaction reports and draft financial statements should be printed for each area of responsibility (ministry head). Each ministry head should receive only the transaction reports relating to her/his specific areas of responsibility. By the end of the second day of each month, all ministry heads should return transaction reports (initialed indicating approval) to the parish bookkeeper. Once the parish bookkeeper has obtained all approved transaction reports, she should produce the monthly parish financial statements. (However, the financial statements should not be delayed for ministry heads who do not return the transaction reports on a timely basis.)

All financial statements should be distributed to the parish finance council and the pastor. Ministry heads should receive a copy of the financial statements for their specific area of ministry.

ADLF interest revenues and expenses should be accounted for in the months that the statements are received. Checking account interest earned and fees should be accounted for in the months that statements are received. Alternatively, the first production of the monthly parish financial statements can be labeled a “draft,” and updated when ADLF and bank statements are received, depending on the preference of the parish finance committee.

No corrections should be “backdated” without the authorization of the finance committee chairperson, as this would change financial reports from prior months. Instead, corrections should be made in the current month, and a list of corrections distributed to the finance committee chairperson along with the financial statements. An example might be a reclassification of tuition revenue to financial aid revenue, which would require a “debit” entry under tuition revenue. A list of transactions such as this will be necessary for the finance committee to understand the financial statements. Requiring ministry heads to supply revenue and expense account numbers on deposit slips and check requests will help to minimize the number of adjusting entries that must be made.

Supplemental financial reports should be prepared by the bookkeeper based on information provided by the ministry heads (ideally on the second day of each month when they return the initialed transaction reports) which includes (month-end amounts):

- Cash position
- Delinquent tuition
- Accounts receivable (grants, Daybreak funds, financial aid, etc.)
- Accounts payable (separately identifying current and past due amounts)
- Actual enrollment vs. budgeted enrollment (school, daycare, etc.)

The finance council should review monthly financial statements and supplemental reports. The finance council should evaluate monthly whether the approved budget is achievable. The finance council should provide the pastor with recommendations for expense reductions if budgeted revenues are insufficient to meet budgeted expenses.