

**DIOCESE OF KALAMAZOO**  
**PARISH FINANCIAL POLICIES & PROCEDURES**  
**EFFECTIVE AS OF JULY 1, 2016**

This policy documents the requirements that parishes of the Diocese of Kalamazoo are required to observe in regards to Finance Councils, Parish Councils, financial reporting and budgeting, parish transactions greater than \$10,000, restricted funds, internal controls and personnel administration (See Canon 1276). Note that all policies and procedures outlined below apply to “parishes” unless specifically referred to as guidance for “collaboratives”.

**Finance Councils:**

1. A parish is required to have a finance council. (Canon 537)
2. The finance council is to meet at a minimum on a quarterly basis.
3. The finance council is to be specific to the parish, though within a collaborative, the meeting may take place at the same time but with separate/individual agendas.
4. Each finance council meeting is to have a formal agenda and the recording of minutes.
5. Each finance council member is to be named initially to a three year term. This term is renewable based on member interest and pastor approval. It is recommended that renewals be for one additional term.
6. One member of the finance council should be identified as head of the finance council.

**Parish Councils:**

1. A parish is required to have a parish council. (Canon 536)
2. The parish council is to meet at minimum on a quarterly basis.
3. The parish council is to be specific to the parish, though within a collaborative, the meeting may take place at the same time but with separate/individual agendas.
4. Each parish council meeting is to have a formal agenda and the recording of minutes
5. Parish council members should have initial three year terms. Renewal of membership is at the discretion of the member and the pastor. It is recommended that renewals be for one additional term.

6. New members should be chosen after a parish invitation has been made to fill an open position.
7. One member of the finance council should be on the parish council and present an update of parish finances at parish council meetings.

### **Financial Reporting and Budgeting:**

1. The parish is required to utilize the diocesan chart of accounts and report format.
2. The Parish Data System (PDS) software platform is required to be used for accounting and/or census processing by the parish. All financial reports required to be submitted to the Diocese, the Activity (Income) Statement and Balance Sheet, should be generated utilizing the PDS system.
3. The parish is required to submit to the Diocesan Finance Officer financial statements, the Activity (Income) Statement and Balance Sheet, for the six months ending 12/31 by 1/31 each year. These must be signed by the pastor and at least two finance council members.
4. The parish is required to submit to the Diocesan Finance Officer the annual financial report by 8/15 for the preceding fiscal year ended 6/30. This report should include the census data, Activity (Income) Statement, Balance Sheet and the 6/30 Bank Reconciliations. This report is to be discussed at a finance council meeting and signed by all members of the finance council and the pastor.
5. The parish is required to submit the annual parish financial disclosure statement along with the annual financial report.
6. The parish is required to have a documented procedure in place for backing up their automated accounting records.
7. The parish is required to submit a balanced budget to the Diocesan Finance Officer by June 15, prior to the start of the new fiscal year July 1. This report is to be signed by all finance council members and the pastor. Any budget that is balanced with the use of reserve funds requires the approval of the Diocesan Finance Officer (Canon 1287,1). If the parish expects to withdraw funds in excess of \$25,000 during the new fiscal year from the Deposit and Loan account such information should be noted.
8. Monthly financial statements are to be created by the parish. The final step of the monthly accounting process is the reconciliation of all bank and investment accounts. The reconciliation is to be reviewed and approved by a member of the finance council.

9. The budgeted amount of subsidy to a school cannot exceed 50% of the parish offertory budgeted amount without prior approval of the Diocesan Finance Officer and the Office of Schools.
10. The budgeted amount of school subsidy cannot be decreased by more than 10% from the prior fiscal year without prior approval of the Office of Schools and the Diocesan Finance Officer.
11. The total offertory from the prior week is to be published in the bulletin on a weekly basis.
12. At least on a yearly basis, a summary of the parish finances is to be presented to the parishioners via an insert in the bulletin or a letter sent by mail. This report should compare the actual totals versus the budgeted amount for the year to date period reported. (Canon 1287,2)

**Parish Transactions:**

1. Any financial transaction by a parish whether it be a purchase, a sale, new construction, or a repair / remodel that in total equals or is greater than \$10,000, requires written permission from the Office of the Bishop prior to the start of that transaction. The \$10,000 amount also represents the total cost of a project.
2. If the \$10,000 transaction in question is not an already approved budgeted item, the transaction is required to be presented to the parish finance council prior to requesting permission from the Office of the Bishop.
3. Any unbudgeted transaction more than \$5,000 but less than \$10,000 must be presented to the parish financial council prior to starting the transaction.
4. Any renovation of any existing building on the parish grounds that involves structure changes such as moving or the elimination of an existing wall requires prior written permission from the Office of the Bishop.
5. Any purchase, repair/remodel or new construction totaling \$10,000 or more will require three bids and the final contract will need to be reviewed and approved by the diocesan legal representative through the coordination of the diocesan finance officer.
6. Any renovation project or purchase of statues or artwork for use inside of the church requires coordination with the Office of the Bishop through the Office of Worship prior to purchase or initiation of the project.
7. All renovation or new construction of any building on the parish grounds requires prior written approval of the Office of the Bishop and compliance with the construction policy.

8. Any capital campaign initiated by the parish or its school requires prior written approval of the Office of the Bishop.
9. A parish may not enter into a loan with any financial institution. All parish loans are to be transacted through the use of the Diocesan Deposit and Loan Program.
10. All construction or renovation projects must comply with the diocesan cash on hand policy in force at the time the project is to start.
11. All unrestricted excess parish funds not included in the parish checking accounts are to be deposited in an account within the Diocese of Kalamazoo Deposit & Loan Fund Trust. Checking account balances should not exceed three months of total parish expenses. Any exceptions are required to be approved by the Diocesan Finance Officer.
12. For donations received in the form of stocks or securities, it is recommended that parishes take advantage of the program offered by the Diocese whereby the donation can be converted to cash. See the related policy/procedure (DOK.001) on the Diocese web page.

#### **Restricted Funds:**

1. If the parish receives a gift or bequest that specifically identifies or restricts its use, the proceeds of the gift or bequest should be deposited into a separate bank account. (Canon 1267,3) Restricted funds should not be commingled with the daily operating account. (It is recommended that these funds be deposited into the Catholic Foundation of Southwestern Michigan.)
2. If the gift is an endowment, restricted gift or a trust created for the benefit of a school, a separate policy is required to be established to govern the use of those funds. This policy is to be created in conjunction with the Diocesan Office of Schools.
3. A current financial status of all restricted funds should be available at all times (and would be if held at the Catholic Foundation of Southwestern Michigan).
4. A parish is required to notify the Office of the Bishop in writing of any restricted gift received by a parish that is \$10,000 or more.
5. Any restricted gift which is refused by the parish requires the written notification to the Office of the Bishop. (Canon 1267,2)
6. Any acceptance or refusal of a restricted gift is to be discussed at the first opportune finance council meeting and documented in the minutes of the meeting.

### **Parish internal accounting controls:**

1. The pastor is to be a signer on all bank accounts of the parish. The parish bookkeeper or business manager cannot be signers on the parish bank accounts.
2. All bank statements including those used by parish organizations and clubs are to be received by the pastor unopened. The pastor is then to open and initial the bank statement and then forward it to the applicable employee.
3. Monthly bank reconciliations are to be completed for each account owned by the parish. All bank reconciliations should be **reviewed** and approved by the pastor and a member of the finance council.
4. The implementation of the Policy & Procedure for the Weekly Offertory effective February 16, 2011 is required to be followed by all parishes. This policy has been established to enhance the integrity of the collection and count process of the weekly offertory in all parishes. The weekly offertory should be regarded as the most vulnerable financial asset of the parish. As such, the parish must ensure all precautions are taken to protect, adequately document, and record the weekly offertory with the original intent of the donor.
5. A strong system of internal controls is necessary to properly protect the weekly offertory. Strong internal controls include proper segregation of duties so that no one individual can perform all aspects associated with the receipt and recording of the weekly offertory. Typically, the greater the number of individuals involved in the weekly offertory process, the stronger the internal control associated with that process. Strong internal controls instill greater confidence in the parish community that the parish has taken all steps possible to be a good steward to protect the offerings of the parish community.
6. All invoices that are to be paid should be presented with payables checks when they are to be signed by the pastor. The invoices are to be marked paid and filed and be available for document review.
7. The use of a signature stamp is to be restricted to only the person whose signature appears on the stamp.
8. The use of a parish credit / debit card is to be limited in scope and use. All receipts should be attached to the monthly statement and must note the nature of such purchase.
9. The use of manually hand written checks is to be discouraged. All manually handwritten checks are to be reviewed in the bank reconciliation process by a member of the finance council.

10. Periodic Operational Reviews will be conducted by the Diocesan Business Office or its designee to assess the existence and effectiveness of internal controls so as to safeguard assets, provide reasonable assurance that financial activities are being properly recorded, summarized and reported, and provide reasonable assurance of compliance with diocesan policies and civil regulations.

**Personnel administration:**

1. All employees are to have a permanent personnel folder which is in a locked location.
2. An employee application is to be filled out and permanently retained on all new hires.
3. A W-4 and an I-9 are required to be on file for all new hires. The unit is also required to complete and mail the State New Hire Form.
4. All employees need to attend a Protecting God's Children Training Session within three months of hire.
5. All new hires are to have a criminal background check.
6. All employees should receive a letter upon hire, stating the salary or hourly wage. The letter should also identify the hours of work per week. If the employment agreement already has an identified end date, that date is to be identified in the letter. The letter must also identify what benefit levels the employee receives.
7. On a yearly basis on July 1<sup>st</sup>, the employee should receive an updated letter identifying their work hours and wage amount. The level of benefits should also be updated.
8. If an employee resigns or is terminated, it is required that a written document is prepared and filed in the personnel file. Also, upon employee termination, it is required that the unit complete and mail to MCC the Unemployment Employee Claims Information form.
9. The offering of all employee benefit programs are to be the same for all employees in a unit.
10. All employees are to be identified as full or part time. Part time employees, those working less than 20 hours a week on a permanent basis, are not entitled to benefit programs administered through MCC.
11. All employees hired at a unit are to be paid through the payroll processing vendor. The vendor will process and submit all required tax filings on behalf of the parishes. This will include W-2s to all employees at the end of the calendar year. Paycor is currently the payroll processing vendor.

12. Compensation of priests is centralized at the Diocese of Kalamazoo and processed through the payroll processing vendor. Priests will receive W-2s from the vendor at the end of the calendar year. Details regarding clergy compensation are outlined within the Schedule of Compensation for Priests. See the related policy/procedure (DOK.002) on the Diocese web page.

13. A person or business contracted to perform tasks at a parish is to receive a 1099 by 1/31, if the total received by that person in a calendar year exceeds \$600.