

March 7, 2008

Dear Pastors, Administrators, Parish Life Coordinators & Bookkeepers:

Enclosed is a report on the letters that were submitted with the 2007 Parish Financial Reports to the Diocese. The report summarizes key concerns and differences that were noted in these letters.

Regarding the annual financial report, 2007 was the second year in a row that we have now received 100% of the parish reports. However, not all of the reports were filed in a timely manner. For the year ending June 30, 2008, we will need all reports to be filed in a timely manner. These reports will be important for the Diocesan review of the cluster plans. Accordingly, please begin planning now for the accounting work and the timing of Finance Council meetings so that the financial reports can be received by September 15, 2008.

For 2007, the majority of parishes submitted the requested letter. We recognize that this was a new requirement and the format was sent after the basic reporting instructions were mailed. However, for the 2008 report, 100% compliance is required. The annual financial report will not be accepted as being in compliance unless the required letter is also received by the Bishop. The early reporting instructions will again include instructions for this letter.

The enclosed report includes references to the Parish Finance Council policy of the Diocese of Cleveland. This policy was issued May 9, 1991. One of our goals is to update that policy and to complement that policy with a more comprehensive guide for the duties and responsibilities under Book V of Canon Law regarding the guiding principles and norms to govern the acquisition, use, administration, and disposition of the temporal goods of the Church. We plan to address this area while we are implementing the cluster plans in 2009 and 2010.

Please contact Gerald Arnold or John Maimone with your questions, comments or observations regarding the enclosed report.

Again, we appreciate the 100% compliance with the annual parish financial report obligation under Canon Law. Timely and accurate compliance saves a lot of follow-up effort by the Finance Office staff. Thank you.

**DIOCESE OF CLEVELAND
FINANCE OFFICE REPORT**

**PARISH FINANCIAL OVERSIGHT LETTERS
FISCAL YEAR ENDED JUNE 30, 2007**

(PURSUANT TO THE RECOMMENDATIONS OF THE ACCOUNTING
PRACTICES COMMITTEE OF THE USCCB)

The fiscal year ended June 30, 2007 was the first year that the Diocese required parishes to provide a letter with the parish annual financial report. The letter followed the recommendations of the USCCB's Accounting Practices Committee in the areas of financial reporting and financial review at the parish level. Each parish was asked to submit the letter to the Bishop. Bishop Lennon reviewed each letter submitted and made observations on the content and quality of each letter received.

Each parish was provided a template of the required letter. The comments from the review have been sorted to show the top four areas of concern and then a few miscellaneous topics, as follows:

MEMBERSHIP OF THE FINANCE COUNCIL

- **Parish staff should not be members of the Parish Finance Council.** This would exclude from membership the pastor, school principal, parish accountant, parish life coordinators, business managers and bookkeepers. However, the Pastor should be present to preside over the meeting and other staff members are often welcomed and/or required to attend as essential for productive meetings with the input of parish experts in key areas.

While page 15 of the Parish Finance Council Policy states "at least 3 members in addition to the Pastor," other sections of the policy clearly demonstrate a separation of duties: page 9, "the Pastor is to preside over the Parish Finance Council;" page 15, "members...shall have a limited term;" page 22, "the council is a consultative group;" and page 31 shows the distinct and separate duties and relationships for the Finance Council, the Parish Staff, and the Parish or Pastoral Council.

If parish staff serves on Finance Council, they are in the position of advising the pastor relative to their own work and work of their peers as part of a consultative group. Not only is this awkward, but good management practice would seem to preclude this circumstance.

- **The size of the Finance Council was too small.** In some parishes, the Finance Council consisted of the pastor and two people. Since the pastor is not a member of the council, that meant some parishes have a finance council of two parishioners.

Page 15 of the Parish Finance Council Policy states “at least 3 members” and “a larger group of five to eight persons may offer more viewpoints and a better sharing of the council workload.”

FREQUENCY OF FINANCE COUNCIL MEETINGS

- **Parish Finance Councils often have too few meetings.** Some parishes reported meeting only once or twice per year. The Finance Council should meet on a regular basis. Parishes even reported the Finance Council only meeting when needed.

While the Parish Finance Council Policy does not specify a minimum or specific number of meetings per year, the list of functions in the various sections of the policy clearly indicate the need for more than a few meetings. Page 38 provides a sample yearly council meeting calendar. The sample shows eight meetings. This may be more than some parishes need, but the functions addressed in the calendar clearly require more than a few meetings. (The Diocesan Finance Council meets five times per year in regular meetings, plus there are special meetings as needed. However, the Diocesan Finance Council has a full committee structure with committee meetings scheduled to deal with much of the work.)

FINANCIAL REPORTS TO PARISHIONERS

- **Some parishes are still not making the financial information readily available.** Some letters reported that a financial report to the parish community was available only upon request or the financial report was not placed in the parish bulletin or otherwise shared with the parish community.

Page 15 of the Parish Finance Council Policy indicates that a basic function of the council is “providing parishioners with periodic reports on the financial position of the parish.” Additionally, the Diocesan Finance Office published in 2007 a model format for parish financial reports to parishioners. The format calls for annual reporting of revenues and expenses, plus assets and liabilities.

- **Not all financial reports are timely.** Sometimes the date of the review of the financial report was as much as a full year after the report was completed.

PARISH BUDGETING

- **There are parishes that do not prepare a budget.** One of the recommendations from the Accounting Practices Committee is that each parish should prepare a budget.

Page 13 of the Parish Finance Council Policy identifies the “preparing and presenting of an annual budget” as a basic function of the Finance Council.

- **The budget should be prepared before the fiscal year begins.** Several parishes indicated in their letter that, as of the date of the letter, the budget was not prepared or even in progress.

OTHER ITEMS NEEDING ATTENTION

- **The backgrounds of the members of Finance Council were not included.** Page 15 of the Parish Finance Council Policy indicates that “members...are to include persons with skills in finance, administration and law.” This requirement does not preclude other helpful, insightful parishioners from participating. However, technical expertise is important for the council to carry out its role of aiding the Pastor in the administration of parish goods.
- **The content of the letter was not sufficient.** Some letters lacked essential items, or generally presented an incomplete report. Future letters must follow the required format.

Since this was the first year that the letter was required, there were bound to be some misunderstandings of what was to be reported. Since we have not regularly trained parishes regarding the Parish Finance Council Policy, there was bound to be some variance from policy. These letters will be an annual requirement, just as the Diocese of Cleveland is required to report this kind of information to the Metropolitan for our region, who is the Archbishop of Cincinnati. In requesting the same information for future years, all parishes will have to focus on the areas where their practices do not comply with policy. All parishes will have to focus on the required format of the letter, recognizing that the required information represents important aspects of the financial administration of the parishes.

Because of the timing of receiving and reviewing the 2007 letters, we recognize that corrective actions can not be fully implemented for the year ending June 30, 2008. However there is time to begin any needed corrective action now so that additional compliance appears in the 2008 letters and full compliance can be reported for the year ending June 30, 2009.

Please contact Gerald Arnold, John Maimone, or Bishop Lennon with your questions about this report or the annual letter compliance requirement.

Copies of the Parish Finance Council Policy, dated May 9, 1991, are available from the Pastoral Planning Office.