**Annual Financial Review**

Welcome to everyone and thanks so much for attending today.

Last year I presented a comparison of the AFR data from the previous year and the current year. I have looked at the data from this year’s survey and there was little difference in the results.

Thus I didn’t think there was any reason to do this again.

Instead I want to discuss why the AFR is required and present the reasoning behind some of the questions. I will discuss some issues that I have seen through Internal Reviews, as these 2 programs are closer associated. I apologize up front if I am going to put some of you to sleep.

Why is there an AFR and Internal Reviews?

“The revised Code of Canon Law, effective November 27, 1983, addresses extensively the responsibilities of bishops as administrators of the Church’s temporal goods. Canon Law 1284 states that all administrators are to perform their duties with the diligence of a “good householder”. The bishop can delegate the authority but not the responsibility. He has the duty to ensure that no abuses exist in the administration of church goods within the diocese.” United States Conference of Catholic Bishops Diocesan Internal Controls.

Over the years the AFR and Internal Control Review were developed to assist the Diocese of Des Moines and the parishes to follow Canon Law. This includes most of the items in the survey, and in more detail during a Review.

**Finance Council is a mandatory body providing counsel to the Pastor**

Why the term for serving 6 years or less for FC members? This is a requirement. If someone if off the FC for 6 years, they can be appointed again. This is an Internal control issue. As FC members are from various backgrounds, there are also new prospective ideas for the parish.

Minutes are necessary to record decisions made. Part of the Internal Review is reviewing copies of the minutes. An example of one set of minutes that I received was just the agenda. They didn’t include who attended, if financials statements were reviewed or if there were any decisions made by the FC.

These following should be reviewed at each meeting.

Statement of Activities, should be compared to Budget

Statement of Financial Position

Dedicated Accounts, ensure that money is being paid to the designated donations that were received.

Some of the other responsibilities of the FC are:

The budget should be set and input into Parishsoft every year. I have seen a large number of parishes that don’t have a budget recorded in Parishsoft. In some instances the FC stated they had approved a budget but it was not input.

The Priest Housing Letter should always be approved prior to the beginning of the new calendar year. This should be done now for 2025. This is for tax purposes and does not follow the fiscal year of the diocese.

Does anyone have any questions or comments?

**Banking and Investments, Cash management if an important function for any organization. Parishes should confirm and monitor cash internal control procedures to minimize the vulnerability of parish funds. The parish should also ensure funds are invested and managed in a responsible way, maintaining Catholic stewardship.**

Signors on the accounts. The priest should be a signor on all accounts, including Altar and Rosary and Cemetery accounts. When priest assignments change, these should be changed immediately. Review of who has signatory power should be reviewed with the bank and investment accounts. Part of the Internal Review is sending out confirmations on these accounts. Too often, there have been individuals who are no longer FC members or trustees that should have been taken off. The individual entering data into Parishsoft, should never by a signor on a bank or investment account.

Accounts – are all the accounts listed on the Statement of Financial Position? Are there accounts that have been closed that are still on the books? I have also found both of these issues through my reviews.

Safety Deposit Boxes – Need to check if there is a safety deposit box and periodically check the contents. During a recent review, the FC and Business Manager weren’t not aware that there was one. This contained a Treasury note from years ago. Stock certificates have also been found that should have been sold as soon as they were received. With the turn over of priests, FC members and Business Managers, these items are sometimes missed.

Fixed Assets – as a side note. The Statement of Financial Position should be reviewed to make sure that all the fixed assets are included. I have had to add various assets to this. These were primary buildings that were not on this statement. Please reconcile the property owned to the Statement of Financial Position and the Catholic Mutual Ledger sheet.

Reconciliations – All accounts are required to be reconciled. This should be done by an individual that does not sign checks, keep the books or process receipts. The current AFR results show that there are 17 parishes that allow individuals that can sign checks or withdraw funds are doing the reconciliations. This needs to be changed. All reconciliations should always have a review by the priest, FC member or trustee. In the smaller parishes if the person entering data into Parishsoft is also doing the reconciliations, this review is even is very important. These reviews should be documented, even if it is an email from the reviewer that this has been done. Most of the internal reviews that I have done, do not include this notation.

Investment Policy – Is there a written investment policy? This should be established by the FC. There is a template for an investment policy on the Finance website. If investments are only with the Catholic Foundation of SW Iowa, a policy is not required. Their investments follow Catholic stewardship.

Are there any questions or comments?

**Restricted Assets are assets that have been designated for a specific purpose by the donor or the Finance Council. Any economic benefit derived from these assets must be used for their intended purpose, therefore they are restricted.**

Throughout my reviews, I have asked what are the restrictions on these various accounts. The answers vary. Donor restricted should always be easily identified to ensure that the donor’s wishes are correctly met. Parish restricted accounts should always be determined and recorded in FC meeting minutes. The details should include the specific purpose of the funds, the plan for funding this and when the funds are expected to be used. These funds should not be used for the operating expenses of the parish. It is rare that I have been provided any documentation for either type of accounts. Some of these accounts were set up a long time ago and no one at the parish knows why. The FC and priest should periodically review these accounts and their purpose.

Any questions?

**Annual Financial Reports to Parishioners “Administrators are to render accounts to the faithful concerning the goods they have given to the Church, in accordance with the norms to be laid down by particular law” Canon Law 1287**

The minimum requirements for this report should equal a summary of the Statement of Activities for the parish, school, and faith formation programs. The reports from Parishsoft don’t have to be used but should reconcile back to this report.

The following income and expense accounts must be included:

Weekend and holy day collections, capital campaign, building and all other donations, fund raising and rental income, operational expenses, extra-ordinary building repairs and improvements.

Comparative data should also be included, Actual YTD, Budget YTD and Last Year Actual.

From the Statement of Financial Position this information must be included:

Assets – Operating cash and investment totals, restricted cash and investments including, Foundation, Endowments, Building Funds, any other income producing assets, such as rentals or farms.

Selected liabilities – LT debt, Line of Credit, Promissory Notes and any past due debt.

Narratives are also recommended to be included.

I have looked through more than one half of the ones returned with the AFR. The biggest concern is that a number of these didn’t include any information on assets/liabilities.

This is covered in Section 513 of the Resource Manual. I will be reaching out to the parishes that did not include the assets in their current year report to remind them that this is required.

Any questions?

**Credit Cards and Debit Cards**

If the parish does have a credit card, there should be a policy for the employees that use it. If your parish does not have one, please refer to section 303 of the Resource Manual. This is very detailed as what it should include.

The AFR results showed that 15 parishes do use debit cards. Because of the lack of security, it is highly recommended to discontinue use of these. Procedures for obtaining credit cards are constantly changing. Please check with your bank if they could assist with getting a credit card instead.

**Electronic Recurring Tithing and Online Giving**

From the AFR, these options are being offered more by the parishes. Congratulations on this! This also is a Big Positive for Internal Controls of these funds received by the parish.

**Tamper Resistant Bags for Collections and Fundraisers**

From the Internal Reviews, I have found that use of these bags vary greatly. The procedures to use these bags for mass collections and fundraisers are to ensure that all funds received from parishioners are protected. Please keep in mind the use of these bags and correctly tracking them not only protects that parishes assets but also protects the individuals handling the money. I have heard too many times that writing all these numbers down is so time consuming. Please keep in mind how you would feel if funds were taken because this wasn’t done. Mass collections and fundraisers are the primary income of most parishes.

The bags should be kept in a secure location. They should be assigned by an individual that will not be involved in any of the counting of the collection or fundraisers. The tracking form is important so every bag is accounted for.

Many times the procedures that are set up for counting collections and using tamper resistant bags are not used for fundraisers. The funds from some of the fundraisers are quite large. The same procedures should be implemented.

Procedures for processing receipts are found in the Resource Manual in Section 201. I would recommend reviewing these.

Any questions or concerns?

**Thanks for all you do for your parish and the Diocese of Des Moines.**

At you parish, some of you wear many hats and have numerous responsibilities. Keep up the good work that you are doing. Also remember that the Finance department is here to assist you and don’t hesitate to reach out of us.