

IV. BUDGETING & REPORTING

1. Budgeting

1.1 Overall Control Environment

The primary purpose for developing a Parish budget is to identify for the Pastor and the Parish Finance Council the financial resources needed to accomplish the Parish's activities, and to bring revenues and expenses into alignment.

Secondarily, a budget provides a framework to ensure that Parish funds are properly administered. The comparison of actual results to the budget for revenue and expenses provides:

- A method to focus on financial shortfalls in enough time to make the necessary operating adjustments.
- A method to anticipate financial surpluses and prudently plan for their use.
- A basis for evaluating the reliability of budget estimates of revenues and expenses and for the preparation on the next year's budget.

1.2 Creating an Operating Budget

A budget is a forecasting tool for planning financial operating activities of a Parish for the upcoming fiscal year. A budget must be prepared annually and is developed no later than **one** month prior to the start of that year, **July 1**. A budget is developed based on the revenue and expense experience of the prior year, together with anticipated increases/decreases in any revenue or expense item and any new activity that had not occurred in the prior year.

The budget is created by **either** the Parish Finance Council, in collaboration with the Pastor and internal/external accounting personnel, **or** by the Pastor alone, with the assistance of such accounting personnel. In either case, the Pastor, with the advice of the Parish Finance Council, will approve the final budget. Budgets should be prepared based on the revenue and expense line items that correspond to the universal "Parish Chart of Accounts" for the Diocese of Bridgeport in QuickBooks (see *Chapter VI*).



1.3 Maintaining an Operating Budget

Budget variances will always occur and are to be expected. Occasionally it may be appropriate to revise a budget during the course of a year – should an additional employee be hired, for example.

All budget changes **must** be approved by the Pastor, with a recommendation from the Parish Finance Council, and documented in writing accordingly. **At no time** should a budget be changed in mid-year without approval of the Pastor.

1.4 Recording and Reporting

A Parish budget should be recorded in QuickBooks based on the income and expense line items. The recorded budget should be identical to that seen by the Parish Finance Council.

The operating financial results should be compared to the budget frequently and presented **quarterly** to the Parish Finance Council, the Diocese, and the parishioners.

1.5 Creating and Maintaining a Capital Budget

Capital budgeting for the purpose of adding buildings or renovating/repairing existing properties requires careful planning and includes the development of cost estimates.

The Parish Finance Council can help with this ongoing process by developing a plan and a budget for each project, which is then brought before the Diocesan Building and Sacred Arts Commission for consideration and approval (*see Chapter X, section 2*).



2. Reporting

Good management reporting is the foundation by which corporations, organizations and Parishes provide for sound decision-making. In the Diocese of Bridgeport, our Parishes are required to develop a variety of reports to serve the needs of the Parish community, including the Pastor, Parish Finance Council, Parish Pastoral Council, and the overall financial health of the Parish.

Please note that, currently, the online QuickBooks system does not include automated generation of cash flows statements. When that capability is added, this section will be updated.

2.1 Periodic (Quarterly) Reporting

Quarterly Reporting

At a minimum, the Parish Finance Council should receive, prior to their quarterly meeting, from the Pastor and the Parish Business Manager/Accountant/Bookkeeper, a statement of financial position and statement of activities for the quarter just ended, including Functional Activity reports for the 6 major classes and for the Rectory sub-class.

Quarterly Reporting to the Parish at Large

The Pastor should review the quarterly activity, prepare a commentary on significant matters, and distribute the commentary and the statements of financial position and activities to the Parish at large via the Parish Sunday bulletin.

Quarterly Ad-hoc class reports

“Class reports” for the individual activities/events should be distributed to the Chairperson(s) of the various events to assist in their planning for future events and to review the actual results of completed events. Chairpersons should share this information with their volunteer teams for their information and input.

2.2 Annual Reports

Annual Report to the Diocese of Bridgeport by September 30th

With the introduction of the new online QuickBooks system, the necessity of sending an electronic copy of Parish accounting system files to



Diocesan Parish Finance Services has been eliminated, and the former questionnaire has been replaced.

The new reporting requirement consists of a representation letter. The representation letter is a detailed statement by the Pastor and the two Lay Members of the Parish Corporation that they are responsible for the financial records of the Parish and that the financial statements and records are being maintained in accordance with Diocesan policy as detailed in this Manual.

The new reporting requirement also consists of an inventory of each Priest's personal property that is at the Parish or other ministry location, as was requested in the past. The Priest's personal property inventory – vessels, vestments, furniture, etc. – protects the Priest in the event of loss or damage to his valuables. The current Diocesan insurance policy covers these items to a total value of **\$25,000**. If a Priest has personal property valued in excess of that amount, it is his responsibility to insure, if desired, at his own expense. The Diocesan insurance provider, Catholic Mutual, will underwrite such insurance.

An inventory of property and equipment should be performed as of **October 31st** of each year and forwarded to Parish Finance Services.

Annual Report to Parishioners

Pastors are required to report annually the results of Parish financial activities in September of each year for the fiscal year ending on June 30th. Such results should include the summarized (“Level One” report – see *Appendix at the end of this chapter*) version of the Statement of Financial Position, Statement of Activities, and Statement of Expenses by Functional Activities for the fiscal year.

Additional information may be provided as considered appropriate by the Pastor and the Parish Finance Council.

Form 1099 Report for Independent Contractors

The Internal Revenue Service requires that **Form 1099** be issued to **all unincorporated Independent Contractors**, and all law firms regardless of corporate status, to whom a Parish has paid \$600 or more for services in the **calendar year**. Form 1099 requires the name, address and federal identification number of the vendor. Before you engage an unincorporated



vendor, have a **W-9** form filled out by the vendor. The completed W-9 will provide all the non-financial information you need to complete the Form 1099 for that vendor. Forms 1099 are required to be completed and mailed to the vendors by January 31st of the year following the payments (see *Chapter X, section 1.5, for discussion of Independent Contractor/Employee determination.*)

QuickBooks accumulates the data by vendor and can produce this report from the Parish accounting system.

2.3 Parish Financial Reports generated by the Parish financial system

There are 17 reports (see the Appendix at the end of this chapter), all pre-formatted and templates created so that the Parish can generate financial reports in a format appropriate for its not-for-profit nature.

There are basically two types of reports, each with three levels of financial detail.

- **Statement of Financial Position** (Assets, Liabilities, and Net Assets)
- **Statement of Activities** (Revenues and Expenses)

In addition, there is a Statement of Expenses by Functional Activities.

The templates are created for each of **three levels of reporting**, depending on the amount of detail required.

- **“Summary” Level of Reporting (Level One)** – represents the most condensed format of financial detail (these accounts are listed in the **Blue** titles in the Chart of Accounts).
- **“Mid-Level” Reporting (Level Two)** – represents an intermediate level of reporting, with more detailed accounts listed (these accounts are listed in **Red** titles in the Chart of Accounts).
- **“Detailed” Level of Reporting (Level Three)** – represents the most detailed level of reporting. This level includes all first level sub-accounts shown as individually listed line items (these accounts are the **Green** titles in the Chart of Accounts).



These reports are available for the current fiscal period (year, quarter, month) only, the current fiscal period compared to the prior fiscal period, and, with respect to the Statement of Activities, Actual vs. Budget, for the current fiscal period.

In addition, a template has been provided (Statement of Revenues and Expenses by Functional Activities – “Detailed” level only) to assist in the budget process that contains budget information.

