

SELECTED APPLICATIONS OF MANAGERIAL AND FINANCIAL
ACCOUNTING TO THE ROMAN CATHOLIC CHURCH

Thesis for the Degree of Ph. D.

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Richard E. Czarnecki

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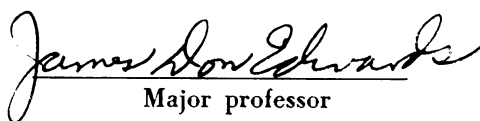
Selected Applications of Managerial
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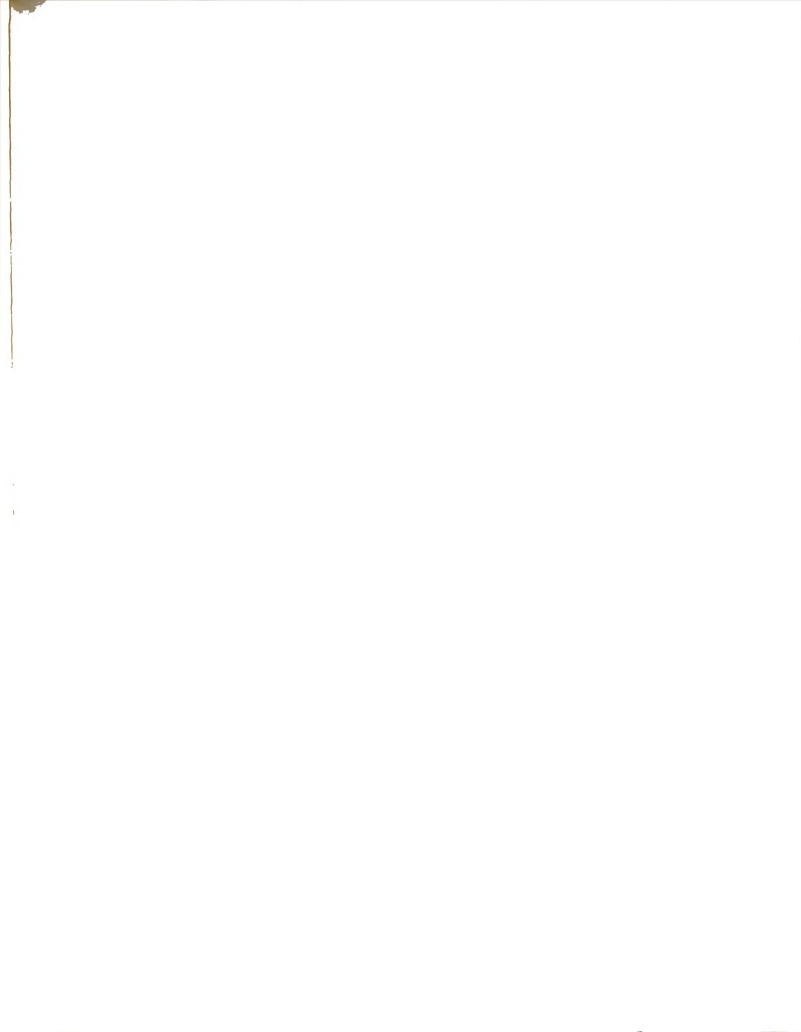
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ABSTRACT

SELECTED APPLICATIONS OF MANAGERIAL AND FINANCIAL ACCOUNTING TO THE ROMAN CATHOLIC CHURCH

by Richard E. Czarnecki

The American Institute of Management conducted three management audits of the Roman Catholic Church in the years 1956, 1960 and 1962. These unique studies, which received worldwide coverage, were directed primarily at the Vatican, the topmost scalar of authority in the Church. There are two other levels of authority in the Church. The bishop governs a geographical area called a diocese, which serves as the real basis of the local organization. Dioceses are subdivided into smaller administrative areas called parishes, which fall under the spiritual and temporal administration of the parish priest who is called the pastor.

This study concerns itself with the two lower levels of organization in the Roman Catholic Church, namely: the jurisdictional area of the bishop (called the diocese) and the jurisdictional area of the pastor (called the parish). The bishop and the pastor serve primarily as spiritual leaders and secondarily as temporal administrators of the properties and wealth of their communities. The study contends that the temporal responsibilities of these individuals are comparable to those of managers in industry. Since accounting is a tool of management, the bishop and

pastor, as managers, should be using accounting as a tool for decision making.

The objectives of the study are:

1. To review the existing financial and managerial accounting practices at the parish organization level of the Roman Catholic Church.
2. To review the existing financial and managerial accounting practices at the diocesan organization level of the Roman Catholic Church.
3. To evaluate these existing practices in light of the practices by other religious institutions and in light of the total development of accounting today.
4. To establish selected models of application at the parish level which would serve as a more effective communication system between the pastor and his parishioners, and the pastor and his bishop.
5. To establish selected models of application at the diocesan level which would serve as aids in establishing controls, in measuring performance of personnel and effectiveness of programs.
6. To make recommendations as to how the selected models might be practically implemented under the existing organization structure.

The following methods of research have been utilized in this study.

1. A compilation and analysis has been made of the

existing managerial and financial accounting media in the five dioceses of Michigan plus the Archdioceses of Chicago and New York.

2. A search has been made of the current literature on church accounting and reporting practices in order to determine how the findings might be applicable to the topic under consideration.

3. Field surveys and personal interviews were conducted with an appropriate official or officials in all the dioceses of Michigan and the Archdiocese of Chicago in order to inquire about the use of accounting information in the decision making process and to gauge the reactions to certain proposals which are made in the study.

Major findings of the study include:

1. The existing system of accounting reports in the dioceses and parishes is not meeting the needs of external or internal reporting.

2. Dioceses and parishes are not employing a sufficient number of lay personnel trained in accounting.

3. The existing statement of operations for parishes combines three distinct and separate functions as one, thus creating problems of communication and measurement.

4. Parishes generally have not used the statement of financial position as a reporting instrument.

5. Parishes are omitting certain items of revenue and expenditure from their financial reports.

6. Parishes and dioceses are not using budgets as a tool for forward planning.

7. Dioceses have not established standards or norms for comparing and evaluating individual parish performance.

8. Financial statements of parishes and dioceses are generally prepared without audit.

9. There exists an almost total absence of communication between dioceses on matters pertaining to accounting and finance.

10. Non-earning cash balances represent a normal situation in many parishes.

Based upon the findings, recommendations regarding the implementation of financial and managerial accounting techniques are presented in the study.

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By
Richard E. Czarnecki^{dward}

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An attempt at expression of gratitude to my wife, Dolores, is wholly inadequate. She gave me encouragement and purpose. She served as secretary and researcher. Finally, she was both mother and father to Christine, David and Carol while the dissertation was being born.

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CHAPTER I

THE SETTING OF THE PROBLEM

Introduction

Many good people think it a bit crass to suggest that churches and charities should be run on a business-like basis. Surely anyone who gives his time as well as his own money to good causes should be trusted to handle funds honestly and properly.

No doubt 99-44/100 per cent of those who collect and disburse contributions to legitimate charities are trustworthy, and if there are a very few exceptions, they are not enough to justify creation of suspicion about the control of church and charity finances.

But that is not the point of suggesting that such funds should be properly accounted for and properly audited. More money is lost through waste and inefficiency than through dishonesty in business, and the same thing is far more likely to be true in organized charity.

The American people give billions of dollars each year to religious and charitable organizations. The givers are certainly entitled to a clear accounting of where their money goes. More often than not, they fail to get it.

.

It is both material and inevitable that certified public accountants should concern themselves increasingly with such matters. Concepts of accounting originally developed to measure profit and loss are becoming ever more broadly applicable, and it grows more evident daily that accountability is a basic element throughout modern free society. Professional



accountants will continue to meet new responsibilities in religious and charitable organizations just as they have in business and government.

The surest of all signs of recognition as a true profession is the wider demand on its members for public service.¹ (Underscore added.)

There is even more recent evidence to support the contention made by the preceding editorial that the American people give generous support to their charitable and religious institutions. Financial contributions are greater today than ever before. The Chase Manhattan Bank makes this observation and estimate.

The U.S. far more than any other country relies on voluntary contributions to maintain charitable institutions, hospitals, religious groups, and so on. Although there is a dearth of statistics for other countries, it seems clear that they raise relatively little by voluntary means because taxes are the main support for their hospitals, other institutions, and even churches.

Not only is the amount of voluntary giving in the U.S. huge, it is growing rapidly. In 1929, American generosity totaled around \$1.2 billion. In 1964 it was probably near \$11 billion for a gain of more than 800% over the 35 year period.²

One of the most prominent religious institutions in the world is the Roman Catholic Church. The size of its member-

¹Editorial. "Accounting for Churches and Charities," Journal of Accountancy, Vol. 103, No. 5 (May, 1957), pp. 26-7.

²"Helping The Helping Hand." Business in Brief, Economic Research Division: The Chase Manhattan Bank, No. 61 March-April, 1965.

ship and evidence of its wealth bear testimony to its prominence. The American Institute of Management in its 1959 Management Audit of the Roman Catholic Church estimated its membership and size as follows:

	<u>Roman Catholic Church¹</u>	
	<u>World Wide</u>	<u>United States</u>
Total Population	2,886,691,000	177,399,000
Catholics	527,643,000	39,505,475
Per cent of Catholics	18.3%	22.3%
Churches	421,527	21,620
Educational Institutions	160,571	14,686
Total Attendance in these Institutions	22,879,356	5,095,636

In the United States, the Roman Catholic Church has made a firm commitment to primary, secondary, college and university education. The church also operates hundreds of orphan asylums, homes for the aged, seminaries and hospitals.²

The wealth of this religious institution is more difficult to estimate than its size because of the apparent secrecy surrounding its financial reporting. However, there are available fragments of financial evidence which support the view that its wealth must be comparable to its

¹The Roman Catholic Church-Management Audit, American Institute of Management, Vol. VIII, No. 13 (September, 1960), pp. 6-7.

²Ibid.



size. An approximation of the wealth of the Vatican, which is the seat of Roman Catholicism, gives an indication of the total wealth of the church. "Bankers' best guesses about the Vatican's wealth put it at \$10 billion to \$15 billion. Of this wealth, Italian stockholdings alone run to \$1.6 billion, 15% of the value of listed shares on the Italian market. The Vatican has big investments in banking, insurance, chemicals, steel, construction, real estate."¹

Another estimate of the Vatican's Italian stockholdings is a good deal higher than the aforementioned \$1.6 billion. "In March (1965), the leftist weekly newspaper, Espresso, claimed that Vatican City owes Italy more than \$60 million in taxes for 1964 profits from trading in the Italian stock market, which would set the total Vatican investment at \$6.5 billion."²

On June 23, 1965, Italian Finance Minister Roberto Tremelloni, in answer to a formal demand by Communist members of the Italian parliament, reported that the Vatican in 1963 received \$5,629,000 in dividends from shares held in Italian companies.³ It was not clear whether the figure represented all shares owned by the Vatican or only those belonging to the administration of the Pope. However, if

¹Time Magazine, February 26, 1965, pp. 68-71.

²The Michigan Catholic, July 1, 1965, p. 2.

³Ibid.

we assume a 3% rate of return on market value this would place the market value of the shares held at approximately \$160 million.

Estimates of the wealth of the Roman Catholic Church in the United States lend credence to the assumption that the church must be a primary recipient of the generosity of many millions of Americans.

Religious giving accounts for more than half of the total of all philanthropy in the United States--an estimated \$4.43 billion in 1961. There are no accurate figures as to what portion of this went to Catholic causes, since there are no published figures on the finances of the Catholic Church. . . . Conservative estimates have indicated that Catholics give upwards of \$1.5 billion annually in support of their religious institutions.¹

In 1964 the dollar volume of new construction in Catholic facilities was up 5.4% over the previous year to \$1.5 billion.² In their March 15, 1965 Financial News Service on Religious Bonds, Dempsey-Tegeler & Co., Inc., members of the New York Stock Exchange estimate the replacement cost of three types of Catholic facilities in the United States as follows:

¹David M. Church, "Fund-Raising Is Big Business," The Catholic Market, Vol. I, No. 1 (October, 1962), p. 51.

²"Catholic Parish and Institutional Construction - 1964," Catholic Building and Maintenance, Vol. 16, No. 6 (November-December, 1964), p. 24.

Replacement Cost
(In Billions of Dollars)

10,452 Parish Plants	\$7.5
1,557 Diocesan High Schools	1.5
901 Private High Schools	.9
803 General Hospitals	<u>3.5</u>
	<u>\$13.4</u> ¹

They make no attempt to estimate the replacement cost of other Catholic facilities, although they state that the amount would be substantial. Numbered among these other facilities operated by the church are:²

295	Colleges and Universities
571	Seminaries
144	Protective Institutions
141	Special Hospitals or Sanitariums
337	Nursing Schools
255	Orphanages or Infant Asylums
376	Homes for the Aged

Organization Structure of the Roman Catholic Church

For all its vast operations and its sizeable wealth, the organization structure of the Roman Catholic Church is relatively simple. There are three levels or scalars of

¹Dempsey-Tegeler & Co., Inc., Financial News Service - Religious Bonds, March 15, 1965.

²Ibid.



authority, namely: the Pope, the Bishop and the pastor.

"The Catholic Church is organized on the model of the monarchies; supreme power, in all its forms, is concentrated in a single person. It is true that authority in the church is held by the episcopal body as a whole and belongs to the bishops. . . . But the only person to possess the authority in its plenitude is the pope. . . ." ¹

The bishop governs a geographical area called a diocese, which serves as the real basis of the local organization. The United States is divided into twenty-eight archdioceses (large metropolitan areas) and one hundred twenty dioceses. ²

"Dioceses are subdivided into smaller administrative areas; these are the parishes, of which the number and size vary; in the towns they include a large population and a small territory, whereas the reverse is usually the case in the countryside." ³

This third level of jurisdiction falls under the spiritual and temporal administration of the parish priest who is called the pastor. "Responsibility for the parishes

¹"What Is Canon Law?" Vol. 80 of the Twentieth Century Encyclopedia of Catholicism (New York: Hawthorn Books, 1960), p. 94.

²The Official Catholic Directory 1964 (New York: P. J. Kenedy & Sons, 1964).

³"What Is Canon Law?" op. cit., p. 107.

is entrusted to parish priests. There is only one parish priest at the head of each parish, just as there is only one bishop at the head of each diocese. The parish priest can be assisted in his work by other priests, generally known as curates. In ordinary law, the selection and appointment of parish priests and curates lies with the bishop. . . ."¹ There are 17,445 parishes in the United States.²

Under civil law the type of organization of the Catholic Church may vary. In the United States, the title to church property is held by means of the corporation sole, the non-profit corporation, and the sole proprietorship.

A corporation sole is a legal entity consisting of but one member, the Ordinary (the governing Bishop) at any time. When the Ordinary dies, the title is held in abeyance until a successor is chosen. The successor then assumes all the duties and privileges which the aims and ends of the established corporation direct.

Under the non-profit corporation the title to the property is held in the name of the corporation. The activities of the corporation are directed by the board of trustees who are chosen from the members of the society thus incorporated.

In the case of the sole proprietorship the title to the property is held in the name of one person. This person holds and administers the property in his own name by an absolute and full legal title.

¹Ibid., p. 108.

²The Official Catholic Directory 1964.

On July 29, 1911, the Sacred Congregation of the Council suggested the corporation aggregate (non-profit) as the preferable form for incorporating parishes in the United States.¹

From a credit granting point of view, John F. Fox, an Assistant Vice President of the Security Trust Company of Rochester, New York summarizes the organization structure of the Roman Catholic Church in this way.

In the Roman Catholic Church the diocese is the most important subdivision insofar as church credit is concerned. A diocese is a corporation with the bishop as the president. These corporations follow two general forms which are commonplace within the church. As an ecclesiastical corporation, the diocese becomes nothing more than a transferring agency or temporary holding corporation. As a "corporation sole"--in the United States there is no regular authority for such a device--the title to the real and personal property of all the churches in the diocese rests with the diocese. This is an important difference because, in the case of a "corporation sole," a lender would not have any of the physical assets of a particular church to back up the faith and credit of the church unless the diocese actually endorsed or otherwise became liable for the obligations. Each diocese has its own regulations and a lending officer should inquire as to how they affect any church for which he might be contemplating credit.²

Statement of the Study

The study concerns itself with the two lower levels of organization in the Roman Catholic Church, namely: the

¹Godfrey F. Burkhardt, Accounting for Parishes (Latrobe, Pennsylvania: The Archabbey Press, 1954), p. 6.

²John F. Fox, "Church Loans by Commercial Banks," Robert Morris Associates Bulletin, Vol. 37, No. 6 (February, 1955), p. 156.

jurisdictional area of the bishop (called the diocese) and the jurisdictional area of the pastor (called the parish). The bishop and the pastor serve primarily as the spiritual leaders of their communities and secondarily as temporal administrators of the properties and wealth of their communities.

The study concerns itself only with the secondary function of these individuals. The major hypothesis of the study is that selected sophisticated techniques of managerial and financial accounting can be applied by the Roman Catholic Church at the diocesan and parish levels of organization.

To those who doubt the managerial responsibilities of a bishop and a pastor, we offer this observation made by two researchers:

A pastor of a Roman Catholic parish is typically responsible for the efficient and effective operation of a multi-million dollar plant. The plant usually consists of a church, a priest's residence, a grade school, a sisters' residence, and many times an associated high school. The pastor is responsible for raising and spending hundreds of thousands of dollars annually. His responsibility is on a par with a manager of a large or medium-sized industrial enterprise.¹

A prominent Religious and university educator lends support to this premise. Brother Leo V. Ryan, C.S.V., Ph.D., an Associate Professor of Management, former Assis-

¹ Thomas R. O'Donovan and Arthur X. Deegan, "A Comparative Study of the Orientation of a Selected Group of Church Executives," Sociology and Social Research, Vol. 48, No. 3 (April, 1964), p. 212.



tant Dean of the College of Business Administration and now Director of Continuing Education at Marquette University asks and answers this question. "What are these managerial responsibilities of the pastor? They are no different in principle than the managerial responsibilities of the corporation presidents, the plant managers, or the small owner-operators who people the parish."¹

The bishop's managerial responsibility exceeds the pastor's by many fold. The contention of this study is that as managers these individuals should be using accounting as a tool of management. Even the most skeptical would agree that an effective employment of temporal wealth should promote the spiritual well being of the institution and its members. A proper stewardship of this secondary function, in effect, permits a fuller achievement of the primary function.

The Computability of Accounting and Religious Institutions

Accounting has been described and universally accepted as the language of business. There seems to be no opposition to the place and contribution of accounting to the conduct of a business enterprise. The position of ac-

¹Bro. Leo V. Ryan, C.S.V., "The Pastor as Manager," Catholic Property Administration, Vol. 25, No. 5 (May-June, 1961), p. 108.

counting in a religious institution is not as clearly defined.

The objectives of a business enterprise and a religious institution are not identical. The business enterprise is profit oriented; the religious institution is service oriented. Can the social science of accounting serve the needs of the second group as it does the first group? An affirmative answer to this question is heard from a variety of sources.

John F. Mannion, Senior Vice President of the Continental Illinois National Bank and Trust Company, expressed this opinion before a group of Catholic administrators. "I feel that the field of accounting is one particular area where the Religious could profitably engage in self-appraisal because the present day complexities of business are sufficiently challenging to justify subjective evaluation for the purpose of providing improved financial administration."¹

F. V. Slade has authored a comprehensive handbook dealing with the accounting and finances for the Church of England. Slade makes this statement. "A church differs from a business in its basic motive but in order to carry out its spiritual work it needs business methods. Like other organizations a church must have an income and must

¹John F. Mannion, "Bank Financing," Catholic Building and Maintenance, Vol. 13, No. 3 (May-June, 1961), p. 80.

live within its income, and business methods should come into use in securing that income and in disbursing it."¹

Robert Cashman, Business Manager of The Chicago Theological Seminary and author of several books in the field of church business management, observes thus:

Twenty-six years as business manager of a seminary have convinced me that both ministers and laymen need more training in the business management of the church, and especially in finance.

There are many who feel that if the spiritual program is adequate, business success will follow in its natural order; but this is not necessarily true, for the church of today faces a threefold responsibility. It must provide worship services and religious education, it must cover pastoral and social needs, and it must be well-managed from a business standpoint.²

Some of the most enthusiastic support for the adoption and utilization of sound business practices in religious institutions has come from members of the Religious. Brother La Salle Woelfel, C.S.C. is a Certified Public Accountant in Texas and holds a Ph.D. in Accounting from the University of Texas. He is presently Chairman of the Division of Business Administration of St. Edward's University in Austin, Texas. He leaves no doubt on his position when he states that, "The many efficient practices and pro-

¹F. V. Slade, Church Accounts (London: Gee and Company (Publishers) Limited, 1960), p. 73.

²Robert Cashman, The Finances of a Church (New York: Harper & Brothers, 1949), p. 9.



cedures which business has devised and perfected over the years are neither copyrighted or patented. They are part of an accumulated fund of wisdom and knowledge which should be made available to all engaged in the human adventure."¹

Brother Woelfel becomes even more specific with his reference to the use of managerial accounting in religious organization.

The function of managerial accounting properly understood includes the taking of steps necessary to facilitate the achievement of institutional objectives, the providing of data for plans to meet these objectives, the establishment of adequate controls, the providing of periodic and special reports to guide management, the analysis and interpretation of various phases of performance, and the pointing out of situations where corrective action is required.²

Brother Ryan has advised his religious colleagues in administrative positions that, "The formula of planning, organizing and controlling is simple, basic and the very essence of management responsibilities. Every pastor can increase his executive efficiency in proportion as he understands and exercises these functions of business management."³

The Franciscan Order of Brothers represents one of

¹Bro. La Salle Woelfel, C.S.C., "What Schools Can Learn from Business," Catholic Building and Maintenance, Vol. 14, No. 2 (March-April, 1962), p. 134.

²Ibid., p. 133.

³Ryan, loc. cit., p. 157.

the most influential religious orders in the Roman Catholic Church. In their 1961 annual meeting for Franciscan Financial Administrators, Cornelius Snyder, O.F.M. pointed out some of the areas of competence which a religious administrator is expected to possess.

We who have been entrusted with the administration of parishes know only too well the gravity of the responsibilities the Church has placed upon our shoulders. Today's parishes demand specialists--and specialists, moreover, not in one field only, but in many. The modern pastor must be a specialist in the care of souls; this he expected. What he may not have expected is that he must also be a specialist in the art of planning and building, a specialist in the delicate trust of providing for his church, school, rectory, convent and other units of his parish plant. Above all, it may come as a complete shock to him to discover that he is also expected to be a combination of financier and accountant, and that the successful operation of his parish depends to a large extent on his capability in this field.¹ (Underscore added.)

A Catholic priest, who was a successful businessman before being ordained to the priesthood, asks his present day colleagues, "Is there not enough similarity in the business aspects of managing a parish, a religious community or a diocese to decide that what large businesses and industrial corporations find feasible and beneficial might also have similar reference for the Church's business administration?"²

¹Cornelius Snyder, O.F.M., "Parish Accounting and Reporting," Franciscan Educational Conference - Forty-Second Annual Meeting 1961, Vol. 42 (1961), p. 211.

²Rev. Charles W. Pain, "Clerical Manpower," Homiletic and Pastoral Review, Vol. 69, No. 3 (December, 1963), p. 212.

Finally, the propriety and suitability of sound business practices including accounting in the temporal management of religious institutions is supported most recently by the action of a major publishing company of business oriented texts. In 1964, Prentice-Hall, Inc. of Englewood Cliffs, New Jersey began the publication of a series of books on church business management because, in the words of their General Editor, Clyde W. Humphrey, ". . . if churches are to accomplish their purpose effectively, their business affairs must be managed as well as, or better than, those of other organizations."¹

The series has been termed "the most comprehensive publishing project ever completed in the field of church business management." The volumes published are:

Church Budget Development

Church Accounting Methods

Church Fund Raising

Managing Church Business Through Group Procedures

Personal Finance for Clergymen

Church Purchasing Procedures

The volumes in preparation are:

Insurance for the Church

¹Arthur L. Walker, Church Accounting Methods (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1964), p. 5.

Church Public Relations

Acquiring and Developing Church Real Estate

Maintaining and Using Church Property

Church Office Management

Your Church Secretary

An attempt has been made to prove the compatability of accounting and religious institutions, but so as not to overstate the case this word of caution from an administrator in the Franciscan order is in order.

A satisfactory and complete financial report will not be an elixir for all financial ills, because the province has its own immanent laws of growth which sometimes seem surprisingly independent of financial reports. But a satisfactory financial report will serve a normative function. And if the members of the provincial board weigh this financial information carefully from time to time, we shall not have to answer the question (Quis custodiet custodes?) "Who shall watch the policy makers?" They will have sufficient means to evaluate their own decisions.¹

Objectives of the Study

The major hypothesis of this study is that selected sophisticated techniques of managerial and financial accounting can be applied by the Roman Catholic Church at the diocesan and parish levels of organization. Because of the varied operations of the Roman Catholic Church, the

¹Francis Affelt, O.F.M., "Provincial Accounting and Reporting," Franciscan Educational Conference - Forty-Second Annual Meeting 1961, Vol. 42 (1961), p. 203.

study has excluded some facilities from its scope; namely, colleges and universities, religious communities (convents and monasteries), hospitals, seminaries, homes for the aged, orphanages and asylums, and certain other operations of charity. Each one of these is subject for some future study.

The study concentrates on the operation of the parish including the church, rectory (priests' residence), elementary school and high school (if any), and convent (but only as it involves the parish). At the diocesan level, the study concentrates primarily on the relationship of the chancery office to the parish operation and secondarily on other diocesan functions.

The objectives of this study are:

1. To review the existing financial and managerial accounting practices at the parish organization level of the Roman Catholic Church.
2. To review the existing financial and managerial accounting practices at the diocesan organization level of the Roman Catholic Church.
3. To evaluate these existing practices in light of the practices by other religious institutions and in light of the total development of accounting today.
4. To establish selected models of applications at the parish level which would serve as a more effective communication system between the pastor and his parishioners, and the pastor and his bishop.
5. To establish selected models of application at the diocesan level which would serve as aids in establishing controls, in measuring performance of personnel and effectiveness of programs.

6. To make recommendations as to how the selected models might be practically implemented under the existing organization structure.

Methods of Research

The following methods of research have been utilized in this study.

Compilation and Analysis of Reporting Media

A compilation and analysis has been made of the existing managerial and financial accounting practices in the dioceses of Michigan plus two out-state dioceses. The analysis was accomplished through an investigation of the standard reporting forms which are currently being used in these dioceses.

The state of Michigan is divided into five jurisdictions: namely, the Archdiocese of Detroit, the Diocese of Lansing, the Diocese of Grand Rapids, the Diocese of Saginaw and the Diocese of Marquette. In order to ascertain that the reporting practices in Michigan are representative of the practices in other dioceses, two other dioceses were selected for review: namely, the Archdiocese of New York and the Archdiocese of Chicago. Statistics pertinent to the dioceses selected are presented in Table 1. The study spans from a rather small diocese (Marquette) to the largest diocese in the United States (Chicago).



TABLE 1
PERTINENT FACTS ON DIOCESES INCLUDED IN STUDY
AS OF JANUARY 1, 1964

Dioocese	Total Population	Catholic Population	% of Catholic Population	Number of Parishes
Detroit	4,540,700	1,461,567	32.19	318
Lansing	1,552,674	204,603	13.18	97
Grand Rapids	1,103,141	179,262	16.25	127
Saginaw	598,591	157,768	26.36	112
Marquette	<u>305,952</u>	<u>105,592</u>	<u>34.51</u>	<u>100</u>
Total Michigan	<u>8,101,058</u>	<u>2,108,792</u>	<u>26.03</u>	<u>754</u>
New York	4,980,000	1,782,630	35.80	402
Chicago	5,574,000	2,317,700	41.58	447
Total per Study	<u><u>18,655,058</u></u>	<u><u>6,209,122</u></u>	<u><u>33.28</u></u>	<u><u>1,603</u></u>
Total in U.S.	<u><u>183,783,493</u></u>	<u><u>44,874,371</u></u>	<u><u>24.42</u></u>	<u><u>17,445</u></u>

Source: The Official Catholic Directory 1964.



Search of the Literature

A review and analysis has been made of the current literature on church accounting and reporting practices in order to determine how the findings might be applicable to the topic under consideration. Included in the search are several empirical studies in this area: (1) a 1953 doctoral dissertation at Indiana University on "Practical Accounting Procedures for Protestant Churches," (2) a 1948 doctoral dissertation at Catholic University of America on "Parish Accounting - An Analysis of Catholic Parish Financial Reports and Accounting Systems and Two Suggested Systems," and (3) a 1954 study on the analysis of 100 diocesan financial reports.

Personal Interviews

Personal interviews were conducted with an appropriate official or officials in each diocese of Michigan and the Archdiocese of Chicago. The purpose of the interviews was to inquire about the usage of accounting information in the decision making process and to gauge the reactions to certain proposals which are made in this study.

Listed in Table 2 are the individuals interviewed and their positions in their respective dioceses.

In addition to these formal interviews, informal discussions have been held with parish pastors, school superintendents and members of school boards. Most of these dis-



TABLE 2
PERSONNEL INTERVIEWED IN 1965 FIELD SURVEY

Diocese	Interviewee	Position
Detroit	Mr. Leo Schulte	Chief Accountant
Lansing	Msgr. Walter Mehm Mr. Harold A. Murphy	Chancellor Chief Accountant
Grand Rapids	Bishop Charles A. Salatka Mrs. Mary Drozdowski	Vicar General Chief Accountant
Saginaw	Miss Hester Higgins	Chief Accountant
Marquette	Msgr. Arnold L. Casanova	Vice-Chancellor
Chicago	Msgr. Robert Hagarty Mr. G. J. Klupar Mr. S. Nowak	Vice-Chancellor Lay Director Chief Accountant

cussions were conducted during the feasibility segment of this study.

Justification of the Study

The proposed study is justified for the following reasons:

- (1) It presents an opportunity for accounting, which is a social science, to apply its service to society in an area which heretofore has been relatively unexplored.
- (2) It offers to provide ways and means by which the forty five million Catholics in the United States can be assured that a complete accounting and effective utilization is being made of their contributed dollars. The burdens of financial sup-

port for their church, their elementary and high school, their diocesan office and other related charities and missions are already tremendous and are expected to increase in the future.

- (3) It offers an opportunity for a certain group of managers (bishops and pastors) to utilize accounting as a managerial tool.
- (4) It offers to assure the non-members of this religious denomination who are being pressured to lend at least some indirect support to these religious institutions through the allocation of public funds that a most effective utilization is being made of the dollars contributed.
- (5) It permits accounting which received a rather substantial contribution in its early beginnings from a religious of the Roman Catholic Church to attempt to repay a debt of gratitude.¹

In opposition to those who argue that the problem of church accounting is a dead issue, we offer this fact from an editorial in the Journal of Accountancy.

Less than two years ago (1956), the Institute set up another new committee on accounting for non-profit organizations, partly to consider problems which arise because there is an increasing use of independent auditors by such organizations, and also to consider the applicability in this field of conventional methods of depreciation and accrual. As an example of the interest and need for better accounting in this area, a recent Journal article on church accounting has brought more requests for reprints than anything published for some time.²

¹In 1494, a Franciscan monk, Luca Paciolo authored the first printed work on bookkeeping. See A. C. Littleton, Accounting Evolution to 1900 (New York: American Institute Publishing Co., 1933), p. 63.

²Editorial. "Expanding Fields for Auditing," Journal of Accountancy, Vol. 104, No. 1 (July, 1957), p. 23.

CHAPTER II

EXISTING MANAGERIAL AND FINANCIAL REPORTING PRACTICES

The legal code of the Roman Catholic Church requires the pastor of each parish to keep an accurate record of receipts and expenditures and to submit each year a financial report to his governing bishop. However, the forms of records and annual reports to be used are left to the discretion of the bishops.¹

The legal code of the Roman Catholic Church is silent on whether the pastor must present financial data to his parishioners. However, many diocesan regulations require that a financial report be presented annually to the parishioners either in printed form or in an oral presentation from the pulpit. The amount of financial information and the format of presentation are left to the discretion of the pastor.

The bishop has no financial reporting responsibilities to either the pastors in his jurisdiction or to the faith-

¹See Canons 1523 and 1525 in T. L. Bouscaren, S.J. and A. C. Ellis, S.J., Canon Law: A Text and Commentary (Milwaukee: The Bruce Publishing Company, 1955).

ful of his diocese. In the literature, the only reference to a report imposed on the bishop is the five year report made to the Pope. The major contents of this report are non-financial.

. . . each bishop is bound to send to Rome every five years a written report, supported by a detailed questionnaire covering all aspects of the religious life of the diocese; faith and worship, the organization of the diocesan curia, statistics of the clergy, ordinations, religious practice, works of the apostolate, the cooperation of the religious orders and so on.¹

Historical Perspective

One of the first major publications on accounting as it pertains to the Roman Catholic Church appeared fifty-five years ago. Reverend Daniel J. Kaib, O.S.B. authored a treatise on accounting, business forms and business law under one single caption, Bookkeeping for Parish Priests. The work was published in 1910 and revised in 1916.

Father Kaib gave the purpose behind his effort when he stated that:

The ability to keep accurate and reliable record of one's business dealings, particularly of one's Receipts and Expenditures, is a useful accomplishment in any walk of life. For a man who makes business his profession, and thereby establishes trade relations with many different persons, such a record is indispensable. Similarly, for a priest in charge of a congregation, the keeping of a record of some kind is a necessity. The reputation of the pastor as well as the interests of the congregation demand

¹ "What Is Canon Law?" op. cit., p. 106.

it.¹

Father Kaib devoted the bulk of his work to a presentation of the basic forms and records used in accounting and to a discussion of the most common business transactions which would have to be recorded. The culmination of this entire recording process was lodged in one financial statement--A Cash Statement for the Year.

The Cash Statement represented a reconciliation of the opening and ending cash balances. The cash receipts were segregated into three major categories: (1) ordinary church receipts, (2) diocesan and foreign collections, and (3) extraordinary receipts. The cash disbursements were also segregated into three major categories: (1) ordinary church expenses, (2) diocesan and foreign funds, and (3) extraordinary expenses. The detailed financial statement appears in Appendix A.

This Cash Statement, illustrated more than one-half century ago, has remained virtually unchanged as will be shown later. Even today the Cash Statement represents the principal financial reporting tool on the parish organization level of the Roman Catholic Church.

During the intervening years, the change in the size of the Catholic Church has been dramatic as evidenced by

¹Rev. Daniel J. Kaib, O.S.B. Bookkeeping for Parish Priests. Second, Revised Edition (Cincinnati, Ohio: The Mountel Press, 1916), p. 9.

the figures below.

	<u>1964</u> ¹	<u>1910</u> ¹	<u>Increase</u>
No. of Catholics in U.S.	44,874,371	14,347,027	313%
No. of Parishes in U.S.	17,445	4,845	360%

Is it possible that the financial reports of 1910 are capable of satisfying the reporting needs of today?

Empirical Findings--Catholic Churches

In 1948 Dumas Leon McCleary, a cleric of St. Viator, authored a dissertation on parish accounting. McCleary stated that the work was undertaken because

. . . the author found, after discussions with a representative number of pastors in various dioceses, that in many instances, the present systems of parish recording do not supply adequate and essential financial information necessary for annual reports, insurance records, school operations, etc. Moreover, after considerable investigation, the author found very little important literature available in the field of parish accounting.²

The study was based on a survey of fifty dioceses. Neither the specific dioceses nor the basis of selection are disclosed in the study. The study considers three classes of reports found in parish accounting:

1. Annual reports to the Chancery office.
2. Annual reports to the parishioners.

¹The Official Catholic Directory 1964 and the Official Catholic Directory 1910 (New York: The M. H. Wiltzius Co., 1910).

²Dumas Leon McCleary, Parish Accounting: An Analysis of Catholic Parish Financial Reports and Accounting Systems and Two Suggested Systems (Washington, D.C.: The Catholic University of America Press, 1948), p. V.

3. Annual reports made by officers of church organizations to the pastor.

A summary of the fifty annual reports highlighted the following information to be required by Chancery Offices.

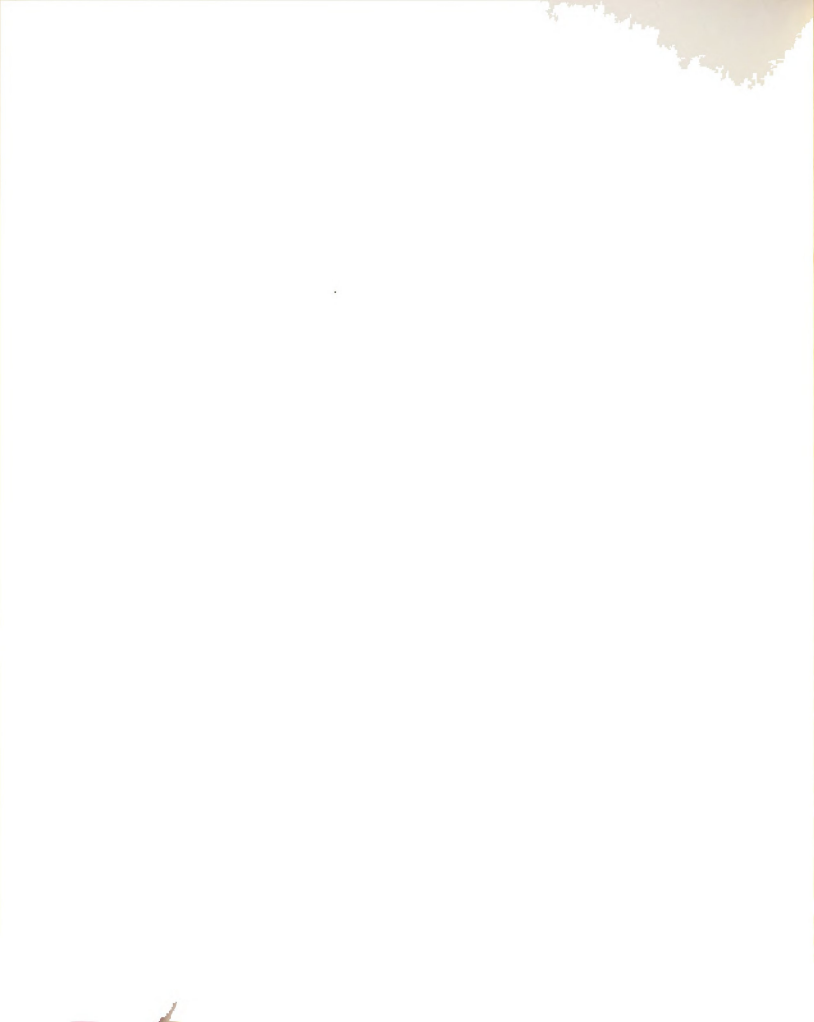
1. All reports require a cash receipts and a cash disbursements section.
2. 35 reports require an insurance schedule.
3. 16 reports require a cemetery schedule.
4. 19 reports require a balance sheet--some requiring one or more supporting schedules as follows:
 - (a) Valuation schedule--11 reports.
 - (b) Investment schedule--9 reports.
 - (c) Debt schedule--17 reports.
5. The 31 remaining reports not requiring a balance sheet indicate the following requirements:
 - (a) Valuation schedule--13 reports.
 - (b) Investment schedule--6 reports.
 - (c) Debt schedule--28 reports.¹

The study found that annual reports are distributed to parishioners in some dioceses and simply read to the parishioners in other dioceses.

The report which is read to the congregation at the Sunday Masses is usually a report similar to the cash receipts and cash disbursements sections of the diocesan annual report. Seldom does the reading of the report consist of balance sheet or the various schedule items with the exception of bank and fund balances and the cemetery schedule. The information for the bank and fund balances and for the cemetery receipts and disbursements is usually taken from the diocesan report.

The printed reports distributed by the pastor to the parishioners vary considerably in form. However, for the most part, the reports are similar in

¹Ibid., p. 7.



form to certain sections of the diocesan annual report. The cash receipts and cash disbursements section of such reports are identical in the majority of instances; likewise, the cemetery and school schedules are practically identical. The printed reports to parishioners usually do not include a balance sheet, asset and liability schedules, or an insurance schedule, although cash balances at the beginning and the end of the year are shown.¹

In those parishes where such church organizations as grade school, high school, cemetery committees, societies and sodalities either only received or received and disbursed funds, the study found that a rather detailed statement of receipts and disbursements is required to be submitted to the pastor either monthly or annually.²

The study proceeds to suggest two accounting systems as suitable for parishes: a single entry system and a double entry system. The primary emphasis in this study is the discussion of accounting procedures and accounting records. The study recommends that the financial reporting media be made more uniform but does not change them in substance. The primary statement continues to be the statement of cash receipts and cash disbursements. There is no discussion of the utilization of parish reports at the diocesan level.

In 1954, Godfrey F. Burkhardt, O.S.B., a Certified Public Accountant and Chairman of the Department of Accounting

¹Ibid., pp. 17-18.

²Ibid., p. 19.

and Finance at Saint Vincent College in Latrobe, Pennsylvania authored a text on parish accounting. The work designed as a one-semester course for seminarians was based on an analysis of one hundred diocesan financial reports in the United States as well as the author's experience in acting as a consultant to a number of parishes and in teaching the course in St. Vincent Seminary for a number of years.

Because Burkhardt's work was intended primarily as a text and not as a research study, he presents no compilation or summary of the financial reporting media found in his analysis of the one hundred diocesan reports. He does make certain recommendations for proper financial reporting at the parish level. Burkhardt points out the limitation of employing a cash statement as the lone financial report and he urges the preparation and presentation of a balance sheet.

A statement of receipts and disbursements is not an adequate presentation of the finances of a parish. Such a report shows where the cash came from and where it went. . . . Even if supporting schedules are included in the report, it still is unsatisfactory in showing what the parish owns and owes. For this reason a number of dioceses require the inclusion of a balance sheet in the annual financial report. The types in use follow the commercial balance sheets. They show assets, liabilities, and net worth.¹

Although he favors the presentation of a balance sheet, Burkhardt criticizes the format of the one commonly being

¹Burkhardt, op. cit., p. 133.

used.

This type of balance sheet (commercial balance sheet) does not present a clear picture of the financial condition of a parish for two reasons:

1. The plant investment consisting of land, buildings, furnishings, and equipment is of little assistance in operating a parish. On the contrary, the larger the investment in the plant, the greater will be the expenditures necessary to maintain it.
2. The grouping of all assets in the manner of a commercial balance sheet creates a surplus figure which is not only illusory but which may also be quite ridiculous. Since many people do not understand the significance of a surplus figure, it would in all probability create an unwarranted optimism among the parishioners.

The proper type of balance sheet for any non-profit organization in which it is desirable to maintain a distinction between the various groups of assets and liabilities for purposes of management control and financial interpretation is the fund balance sheet.¹

After recommending the adoption of fund accounting for parishes, Burkhardt cautions against the establishment of a multiplicity of funds. Under ordinary circumstances, three specific funds would be adequate for parish accounting.

1. Operating fund (also designated as general fund or current fund)--this fund is considered to be expendable for the general parish activities.
2. Non-expendable fund--these are funds which must be kept intact as to principal, and only the income thereof is expendable. Such things as Mass foundations and annuities should be controlled through this fund.

¹Ibid.



3. Plant fund--this will consist of those funds which have been expended or will be expended for making additions to the parish property.¹

Based on his analysis, Burkhardt is of the opinion that the use of fund accounting techniques will serve as a more effective communications system between the pastor and his parishioners.

Although the recommendation of fund accounting is probably the most noteworthy in his work, there are other recommendations with respect to the balance sheet and the operating statement. Included among Burkhardt's twelve balance sheet recommendations are these:

.

3. Three bases may be permitted for the valuation of plant fund assets. In the order of their desirability, they are: cost basis, appraisal basis, and estimated basis. The insured value of the asset may serve as the estimated basis.
-
6. A contribution should be made each year end from the operating fund surplus to the plant fund for possible future replacements.
 7. In the interest of simplicity and convenience, inventories may be excluded from the accounts. If it is feasible, inventories should be included in the balance sheet.
 8. Accounts payable should be written up at the end of the year in order to reflect the obligation on the balance sheet.
 9. Investments should be segregated as to funds.

.

¹Ibid., p. 134.



11. As a matter of conservatism, subscriptions to a building fund should be ignored in the financial statement until actually collected.¹

Burkhardt would give the statement of income and expenditures the title of the "Operating Statement." He makes six recommendations with respect to the "Operating Statement."

1. In the interest of simplicity and convenience, the cash basis of accounting is recommended. . . .
2. The divisions of the statement should be income and expenditures. . . .
3. True income and expenditures should be reported on the operating statement. This will necessitate the elimination of the current practice of reporting capital receipts and disbursements on the report.
4. Some manner of classification of accounts is desirable on the annual statement. It is suggested that income be classified by source into regular income and auxiliary income. Regular income, which can best be defined negatively, will consist of that revenue which any church will have from its ecclesiastical and educational activities exclusively. All other income should be considered auxiliary.
5. It seems appropriate to classify expenditures by function. The expenditures should be classified into Church, Rectory, School and General. All charges which can be directly identified with a particular function should be charged thereto. Expenditures which benefit the parish as a whole should be charged to general parish expenditures. This use of a general account will eliminate the necessity of prorating various expenditures.

¹Ibid., p. 142.



6. Diocesan collections should be retained on the income section of the operating statement. The trend of assigning quotas for the various collections to each parish seems to justify the retention of the account on the statements.¹

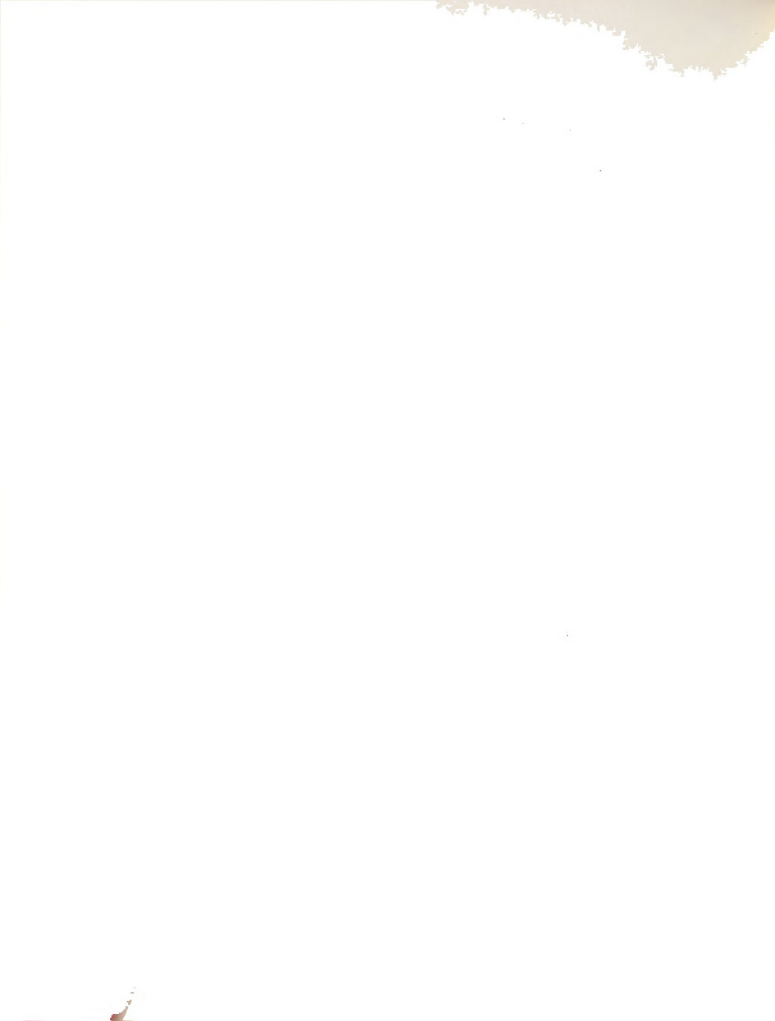
Appearing in Appendix B are the financial statements as they would appear for a typical parish if all the preceding recommendations were implemented.

Empirical Findings--Protestant Churches

In 1953 Emerson Henke completed a doctoral dissertation at Indiana University entitled "Practical Accounting Procedures for Protestant Churches." The author used the case study approach combined with personal interview data. The study investigated and made recommendations concerning (1) the handling and recording of receipts, (2) cash disbursement procedures and records, (3) personnel and basic operational requirements, (4) development and operation of a budget, (5) special funds, and (6) preparation and use of financial reports.

The study does not disclose the number of churches which were included in its scope. It does specifically identify some of those considered. One of the areas of study which is germane to our work is the observation of weaknesses in financial reporting practices. The study states that:

¹Ibid., pp. 142-143.



. . . Foremost among these was the fact that most of the reports examined were completely on a cash basis. . . .

Another noticeable weakness in some of the reports studied was the lack of correlation of the report data with formal accounting records. . . .

The weakness most frequently present was that of the failure to present a balance sheet. Emphasis was almost entirely on operations as shown in the receipts and disbursements statement.¹

In addition to the weaknesses mentioned, the study noted (1) a frequent failure to compare actual data and budgeted data, (2) the forms used were inadequate and the terminology was poor, and (3) the quality of readability was poor.²

The observation of weaknesses in financial reporting practices was based on what the objectives of financial reports of churches should be. The study listed these five objectives of financial reports.

1. Provide information to assist in formulating operating decisions.
2. Provide a means of accounting to the congregation for the use of general funds as designated in the budget.
3. Aid in the development of the stewardship program.
4. Aid pastor and officers in developing full capabilities of the Church.

¹Emerson Henke, "Practical Accounting Procedures for Protestant Churches," (Unpublished D.B.A. dissertation, School of Business, Indiana University, 1953), pp. 131-132.

²Ibid.



5. Help provide an adequate historical record of financial operations.¹

Empirical Void

The three preceding empirical studies on church accounting concerned themselves primarily with the recording process of accounting and with the periodic preparation of financial statements. There was little if any emphasis given to the managerial aspect of church accounting. Emphasis seemed to be on the procedural rather than the utilitarian aspect of accounting.

The three preceding empirical studies were authored more than a decade ago. Even if the areas of concentration by the preceding studies and the proposed study were to be the same, the time lapse might be enough to justify a new study.

The three preceding empirical studies concentrated solely on the lowest level of church organization, namely, the parish operation. There has been no work performed on the next level of church organization, namely, the diocese in the case of the Roman Catholic Church.

It is for these reasons that a new study is justified. Each one of the three preceding empirical studies has made a valuable contribution to church accounting and to the study under consideration. However, the current effort will update some of the findings previously un-

¹Ibid., p. 211.

covered and will reach into areas which have not been previously covered.

Diocese of Marquette

The Diocese of Marquette encompasses the entire upper peninsula of Michigan. The diocese was established in 1853. There are presently 305,952 people in the area of whom 105,592 are Catholics. The diocese contains 100 parishes in an area of 16,281 square miles.

The Pastor-Administrator of a parish must file with the Chancery Office on or before January 15 of each year a financial report signed by the pastor and a church committee. After the report is examined and approved by the Bishop of Marquette a copy is returned to the parish. The primary statement for parish reporting is a statement of cash receipts and cash disbursements. There are also supporting schedules and two school reports. The financial statement format was designed about ten years ago by a certified public accountant who resides in the community. A statement of cash receipts and disbursements appears in Illustration 1.

Marquette operates a Diocesan Loan Fund. Parishes may invest their excess cash holdings at the Chancery and receive a 3 1/2% return payable semi-annually. The Chancery also loans money to parishes, when available, at a 4% interest rate. The program is purely voluntary de-



ILLUSTRATION 1

DIOCESE OF MARQUETTE--ANNUAL PARISH FINANCIAL REPORT

<u>Operating Receipts</u>			
Pew Rent and Seat Money		\$xx	
Sunday and Holy Day Collections		xx	
Fuel Collection		<u>xx</u>	
	Total		\$xxx
Votive Lamp and Candles		\$xx	
Devotions and Missions		xx	
Religious Articles, Literature, Pamphlets, etc.		xx	
Requests and Donations			
(available for operating purposes)		xx	
Other (indicate source and nature)		<u>xx</u>	
	Total		\$xxx
Operating Receipts		\$xxx	
Diocesan Collections (from schedule)		<u>xxx</u>	
	Total		\$xxx
<u>Extraordinary Receipts</u>			
Building or Other Drives		\$xx	
Special Collections		xx	
Special Functions			
(Bazaars, Card Parties, Picnics, etc.)		xx	
From Church Societies		xx	
Bequests and Donations			
(designated for specific purposes)		xx	
Sale of Parish Assets and Liquidation			
of Securities		xx	
Interest on Savings Accounts and Investments		xx	
Other		<u>xx</u>	
	Total Extraordinary Receipts		\$xxx
	Money Borrowed During Year		<u>xxx</u>
	Grand Total Receipts		\$xxx
Cash Balance at Beginning of Year			<u>xxx</u>
	Total		<u><u>\$xxx</u></u>

ILLUSTRATION 1--Continued

<u>Operating Disbursements</u>	
Salaries--Pastor	\$ xx
Salaries--Assistants	xx
Salaries--Extra priests, missions, retreats, days of recollection	xx
Salaries--Organist and Choir	xx
Salaries--Janitor Service	xx
Board	xx
Allowance for use of car	xx
Sanctuary and Sacristy Requisites	xx
Religious Articles, Literature, Pamphlets, etc.	xx
 Fuel	 \$ xx
Light and Water	xx
Telephone	<u>xx</u>
 Total Utilities	 xx
 Printing and Stationery	 xx
Janitor Supplies and Upkeep of Premises	xx
Taxes	xx
Insurance (including hospitalization)	xx
Ordinary Repairs (Church)	xx
Ordinary Repairs (Rectory)	xx
Excess of School Disbursements over Receipts (fr. schedule)	xx
Diocesanum	xx
Other	xx
Operating Disbursements	xx
Diocesan Collections (fr. schedule)	<u>xx</u>
 Total	 \$xxx



ILLUSTRATION 1--Continued

Extraordinary DisbursementsDebt Service:

Principal Payments	\$ xx
Interest Payments	xx

Extraordinary Repairs:

Church \$xx	Rectory \$xx	School & Convent \$xx	xx
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Capital Outlay:New Furniture and Equipment:

Church \$xx	Rectory \$xx	School & Convent \$xx	xx
-------------	--------------	-----------------------	----

New Construction:

Land Purchased	xx
Buildings:	

Church \$xx	Rectory \$xx	xx
School \$xx	Convent \$xx	xx

<u>Total Extraordinary Disbursements</u>	\$xxx
--	-------

Securities purchased	xxx
----------------------	-----

Transfers to Savings Account	xxx
------------------------------	-----

Depreciation Fund	xxx
-------------------	-----

Grand Total Disbursements	\$xxx
---------------------------	-------

Cash Balance at End of Year	xxx
-----------------------------	-----

<u>Total</u>	<u>\$xxx</u>
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pending on the judgment of the pastor. He decides when there exists an excess cash balance and he determines the vehicle for investment. In addition to the investment of funds at the Chancery, parishes may invest in Bank Certificates, Savings Accounts and Mutual Funds but only after permission is given by the Chancery Office.

The Chancery has attempted to encourage parishes, particularly the wealthier ones, to provide for plant replacements before the replacement must take place. The objective behind this is to maintain contributions at a high level even when all present needs within the parish are being satisfied. Each parish would utilize a Depreciation Fund for this purpose. To date, the effort has not been too successful.

The cash disbursement titled Diocesanum represents the diocesan tax which is paid annually by each parish for the support of the Diocese. The tax is computed by taking six per cent of the Ordinary Income of a parish. Ordinary Income is defined as pew-rent and/or church dues collected for current operation of the parish, seat money, all Offer-tory collections on Sundays and Holy Days, whether loose or in envelopes, and fuel collections. The individual pastors make the determination of their tax and send the appropriate amount to the Chancery.

Marquette has no central diocesan fund drive but can

raise funds through additional assessments on the parishes. This was done recently when a 1% assessment was added to the existing six per cent tax for the purpose of a promotion and education fund.

Each parish must prepare and submit annually a school report. The report consists of (1) a statement of school receipts and disbursements and (2) a statement of catechetical school receipts and disbursements. The former represents the operations of the parish school, and the latter represents the operations of the religion classes for those attending public schools. Since the disbursements in both operations will always exceed the receipts, the net figure is carried to the overall statement of cash receipts and disbursements as an operating disbursement item. The annual school report is shown in Illustration 2.

Other schedules which accompany the statement of cash receipts and disbursements are (1) Schedule of Diocesan Collections and Remittances, (2) Schedule of Long-Term Debt, (3) Schedule of Current Indebtedness, (4) Schedule of Bequests and Designated Donations, (5) Schedule of Other Parish Liquid Assets, and (6) Insurance Schedule.

The diocese requires the pastor to present the financial information to his parishioners either orally or in writing. Most pastors make the presentation in writing using the format prescribed in the required reporting forms

ILLUSTRATION 2

DIOCESE OF MARQUETTE--ANNUAL PARISH SCHOOL REPORT
STATEMENT OF SCHOOL RECEIPTS AND DISBURSEMENTS

<u>Receipts</u>		<u>Disbursements</u>	
Tuition	\$ xx	Salaries--Religious	\$ xx
Tuition from other parishes	xx	Salaries--Lay Teachers	xx
Envelope Collections	xx	Salaries--Janitor	xx
Donations	xx	Fuel	xx
Special Functions	xx	Light, Water and Telephone	xx
Books and Supplies	xx	Janitor Supplies	xx
Hot Lunch and Milk Programs	xx	Classroom Supplies	xx
Transportation	xx	Ordinary Repairs	xx
Athletic Fees	xx	Payroll Taxes and Hosp.	xx
Other	xx	Insurance	xx
		Hot Lunch and Milk Programs	xx
		Transportation	xx
		Athletics	xx
		Other	xx
Total Receipts	<u>\$xxx</u>	Total Disbursements	<u>\$xxx</u>

ILLUSTRATION 2--Continued

DIOCESE OF MARQUETTE--ANNUAL PARISH SCHOOL REPORT

STATEMENT OF CATECHETICAL SCHOOL RECEIPTS
AND DISBURSEMENTS

<u>Receipts</u>		<u>Disbursements</u>	
Tuition	\$ xx	Salaries--Religious	\$ xx
Envelope Collections	xx	Salaries--Lay Teachers	xx
Donations	xx	Catechetical Supplies	xx
Special Functions	xx	Transportation Charges	xx
Sale of books, supplies, etc.	<u>xx</u>	Other	xx
Total Receipts	<u><u>\$xxx</u></u>	Total Disbursements	<u><u>\$xxx</u></u>

for the Chancery.

The financial reports of the parish must be accompanied by a Church Committee Certification which states "We, the undersigned, hereby certify that we have examined this Financial Report and find that it agrees with the account books and vouchers of this parish or mission, and that it corresponds accurately with the enclosed Annual Parish Report." The committee members are selected by the Bishop from a list submitted to him by the pastor.

At the Chancery the parish financial statements are verified for clerical accuracy. They are also reviewed by the Bishop for overall reasonableness. The financial re-

port is then approved and a copy returned to the parish.

None of the collections in Marquette are designated to supplement the salary of the parish pastor, as is the practice in some dioceses. The Christmas Collection is designated for Catholic Social Services and the Easter Collection for the Seminary Fund.

In addition to its work with the 100 parishes, the diocese supports and operates a number of charities, an old folks' home, retreat houses and other related functions. A Board of Advisors comprised of three priests serves as a hearing body for parishes on matters of proposed expansion, new building, means of financing and other related matters. For the last six years the diocese has employed a firm of certified public accountants to prepare the financial statements for its operations. However, the statements are not certified; they are prepared without audit.

Diocese of Saginaw

The Diocese of Saginaw was established in 1938. It numbers a Catholic population of 157,768 out of a total population of 598,591. There are 112 parishes in the diocese, which covers 10,162 square miles.

The primary financial statement for the parishes in Saginaw is the statement of receipts and disbursements. A standard report form must be completed annually by each



parish signed by the pastor and the church committee and be in the Chancery on or before January 15th of each year. This standard report form appears in Illustration 3. In addition to the primary statement, the pastor must file schedules of long term debt, unpaid accounts, a cemetery report and a listing of parish funds at year end.

The Church Committee is selected by the Bishop from a list of ten names submitted by the pastor. No member of the committee may serve longer than three years. There is no certification paragraph in the Annual Report for parishes in the Saginaw Diocese.

The diocesan law requires that the financial statements be read to the parishioners by the pastor. In fact most pastors publish some or all of the data appearing in the financial report.

As the parish reports are received at the Chancery, they are verified for clerical accuracy. The Bishop reviews the financial statements to see if each item in his judgment is reasonable. Any errors are called to the attention of the pastor. Any questionable items or amounts must be explained by the pastor.

Any parish expenditure in excess of two hundred dollars must be approved by the Chancery. A parish may borrow funds from the diocesan fund at a current interest rate of 4% or from outside banks if permission is given by



ILLUSTRATION 3

DIOCESE OF SAGINAW--ANNUAL PARISH FINANCIAL REPORT

Receipts

Pew Rent	\$ xxx
Envelope Collections	xxx
Seat Offerings	xxx
Offertory Collections	xxx
Children's Envelope Collections	xxx
Special Parish Collections	xxx
Subscriptions	xxx
Donations	xxx
Donations from Societies	xxx
Entertainments and Benefits (net)	xxx
Rent of Church Property	xxx
Interest and Dividends	xxx
Building Fund	xxx
Sale of Catholic Literature	xxx
Votive Offerings	xxx
Authorized Loans of This Year	xxx
Miscellaneous	<u>xxx</u>
Total	\$xxxx

ILLUSTRATION 3--ContinuedReceipts--Continued

Diocesan Collections:

Indian and Negroes	\$ xxx
Bishops' War Relief	xxx
Holy Land	xxx
Easter Collection	xxx
Education of Seminarians	xxx
Holy Father	xxx
Propagation of the Faith	xxx
Catholic University of America	xxx
Missionary Cooperation Plan	<u>xxx</u>
Total Diocesan Collection	\$xxxx

School Revenues:

Music	\$ xxx
Other	<u>xxx</u>
Total School Revenues	\$xxxx
Grand Total	<u><u>\$xxxx</u></u>

ILLUSTRATION 3--ContinuedDisbursements

Salary of Pastor	\$ xxx
Salary of Assistant ('s)	xxx
Extra Clergy Help	xxx
Automobile Allowance	xxx
Salary of Janitor ('s)	xxx
Salary of Housekeeper	xxx
Organist and Choir	xxx
Mass Wine and Altar Bread	xxx
Candles and Incense	xxx
Washing of Altar Linen	xxx
Fuel and Light	xxx
Telephone	xxx
Water	xxx
Insurance	xxx
Taxes and Assessments	xxx
Office (Postage, Stationery, Printing)	xxx
Catholic Literature	xxx
Repairs on Church	xxx
Repairs on Convent	xxx
Repairs on Pastor's Residence	xxx
New Furniture--Church	xxx
New Furniture--Convent	xxx

ILLUSTRATION 3--ContinuedDisbursements--Continued

New Furniture--Pastor's Residence	\$ xxx	
Equipment and Supplies--Church, Rectory	xxx	
Equipment and Supplies--Convent	xxx	
Amount Paid on Principal	xxx	
Interest on Debt	xxx	
Diocesan Quota	xxx	
Diocesan Collections (Total)	xxx	
Forty Hour Expenses	xxx	
Miscellaneous	<u>xxx</u>	
Total		\$xxxx
School Expenses:		
Salary of Teachers	\$ xxx	
Repairs	xxx	
Equipment and Supplies	xxx	
Miscellaneous	<u>xxx</u>	
Total School Expenses		\$xxxx
Balance (or Deficit) for Year		<u>xxxx</u>
Grand Total		<u><u>\$xxxx</u></u>



the Chancery.

The Diocese of Saginaw imposes a diocesan tax on each parish of approximately 4% of ordinary parish income. The percentage may be altered depending on the discretion of the Bishop.

The Christmas Collection in each parish of the diocese is used to supplement the salary of the pastor of the parish. The amount collected does not appear in the financial statements. The Easter Collection in each parish was formerly used for the same purpose. Presently the Easter Collection goes to charities.

Each pastor arranges the insurance coverage on his parish. Included with the annual report to the Chancery is a schedule of insurance and valuation. The land and buildings of the parish are to be listed at their appraised values. The appraisals are based on the pastor's own estimate of worth or on insurance values.

The Diocese of Saginaw does not conduct a central fund raising campaign. Investments are restricted to savings accounts and certificates of deposit. The financial and accounting information used by the Bishop is that which is found in the financial reports of the parishes. The diocese does have such special funds as Diocesan Fund, Cathedral and Charities.

The Diocese of Saginaw is divided into four deaneries

(divisions) each under the supervision of a monsignor called the dean. The dean is to make an annual visitation to each of the parishes in his deanery. The dean submits an Annual Report on his Examination of Parish Records to the Chancery. One of the sections pertains to an examination of financial records. Three questions are to be answered by the visiting dean.

1. Is the diocesan account book used?
2. Are all entries up-to-date?
3. Do stubs in check book show--Amount of check?
Date of issuance? To whom and for what purpose
issued?

The Annual Report Form which accompanies the Financial Report Form pertains primarily to the spiritual well being of the parish. However, there are several questions which concern accounting and financial reporting. These questions are:

Have you receipts for all expenditures?

Are any deeds of church property in your possession?

Have you made, caused to be made, or permitted any collection or subscription, or paid out of church revenues for any property, the title of which is not held by the Bishop?

Have you contracted any debt or negotiated any loans without authorization in writing?

Enumerate and itemize all church property (real) in your district acquired during the year.



Itemize the church goods acquired since your last report.

The diocese does not employ the services of certified public accountants to audit either the affairs of the parishes or the affairs of the Chancery. Although the diocese has loans outstanding with the banks, the loan agreement does not require certified financial statements. The agreement calls for such unaudited information pertaining to the diocese as:

1. Number of parishes
2. Number of priests
3. Estimated valuation of buildings and contents
4. Savings Fund Balances:
 - a. Savings Account
 - b. Government Bonds
 - c. Loans Receivable
 - d. Other Investments
5. Annual Parish Income
6. Amount Paid on Debt
7. Amount Paid on Interest
8. Total Parish Debt
9. Total Diocesan Funds

This information is submitted to the banks on an annual basis.

Diocese of Grand Rapids

The Diocese of Grand Rapids, which was established in 1882, encompasses the western portion of Michigan. The total population of this area is 1,103,141; the Catholic

population is 179,262. There are 127 parishes in an area of 16,540 square miles.

Every pastor is required to submit an annual financial report for the parish signed by the pastor and at least two committee men to the Chancery Office before the first day of February. The primary statement is a statement of receipts and disbursements. There is also a Debt Schedule, which enumerates in detail the Total Mortgage Debt, Total Note Debt, Total Bonded Debt and Total Unpaid Improvements and Bills. Parish Investments must also be itemized. These include savings accounts in banks and all other accumulated funds of the parish. The statement of receipts and disbursements is reproduced in Illustration 4.

The financial reporting format was developed by a certified public accountant approximately nine years ago. The report form has been reviewed and revised periodically.

The diocese has been conducting an annual diocesan fund drive for the last ten years. The receipts from this drive are used for special projects such as homes for the aged, mission work, hospitals, seminaries and charities. Although the drive has no total amount as a target, every wage earner is expected to contribute 1% of his or her total gross income. Professional fund raisers have not been employed in this activity. In 1965, the total amount



ILLUSTRATION 4

DIOCESE OF GRAND RAPIDS--ANNUAL PARISH FINANCIAL REPORT

Receipts

Envelope Collections	\$ xxx
Offertory--Plate Collections	xxx
Pew Rent and Seat Collections	xxx
Children's Collections	xxx
Votive Stands, Pamphlets	xxx
Societies, Sodalties, and Circles	xxx
Donations and Bequests	xxx
School Income	xxx
Entertainments, Bazaars	<u>xxx</u>
Sub-Total	\$xxxx
Sundry Receipts	
Increase in Debt	\$ xxx
Repayment of Loans	xxx
Building Fund	<u>xxx</u>
Sub-Total	\$xxxx

ILLUSTRATION 4--ContinuedReceipts--Continued

Special and Diocesan Collections

War Relief	\$ xxx
Holy Land	xxx
Fund for the Faith	xxx
Holy Father	xxx
Indian and Negro, NCWC, Catholic U., Shrine	xxx
Propagation of Faith	xxx
Special Mission Appeal	xxx
Western Michigan Catholic	<u>xxx</u>

Sub-Total	\$xxxx
-----------	--------

Other Receipts	<u>xxxx</u>
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Total Receipts	\$xxxx
----------------	--------

Balance on hand at start of year	<u>xxxx</u>
----------------------------------	-------------

Total	<u><u>\$xxxx</u></u>
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ILLUSTRATION 4--ContinuedDisbursements

Clergy--Salaries, Expenses and Allowances	\$ xxx
Teachers--Salaries	xxx
Janitors and Helpers--Salaries and Wages	xxx
Other Lay Help--Salaries and Wages	xxx
Sanctuary and Sacristy Requisites	xxx
House Maintenance	xxx
Fuel and Utilities	xxx
Printing, Office Supplies, and Other	xxx
Janitor's Supplies	xxx
School Supplies, Books, and Other	xxx
Ordinary Repairs--Church and Rectory	xxx
Ordinary Repairs--School and Convent	xxx
Extraordinary Repairs--Church and Rectory	xxx
Extraordinary Repairs--School and Convent	xxx
Furniture, Furnishings, and Equipment-- Church and Rectory	xxx
Furniture, Furnishings, and Equipment-- School and Convent	<u>xxx</u>
Sub-Total	\$xxxx

ILLUSTRATION 4--ContinuedDisbursements--ContinuedSpecial and Diocesan Collections
and Obligations:

War Relief	\$ xxx
Holy Land	xxx
Holy Father	xxx
Mission Sunday	xxx
Fund for the Faith	xxx
Indian and Negro Mission	xxx
Western Michigan Catholic	xxx
Cathedraticum	xxx
Chancery	xxx
Infirm Priest Fund	xxx
Catholic Central High School	<u>xxx</u>
Sub-Total	\$xxxx
Sundry Expenditures (Specify):	xxxx
New Property, Buildings, Additions	<u>xxxx</u>
Total Disbursements	\$xxxx
Balance on hand at end of year	<u>xxxx</u>
Total	<u><u>\$xxxx</u></u>

received in cash, securities and pledges was in excess of \$785,000. The amount of the pledges has increased each year over the last decade.

It is a diocesan practice that the Christmas and Easter Collections in each parish be given to the pastor in order to supplement his salary. The amounts collected do not appear in the financial reports.

All extraordinary or unusual expenditures in excess of \$500 must be approved by the Chancery. Before the transfer of any property to the parish, the proposed deed, land contract, lease or other legal conveyance, must be submitted to the Chancery for approval. Any parish mortgages and notes, new and renewed, must be signed by the Bishop. All deeds, abstracts of title, cancelled mortgages or notes, must be deposited with the Chancery. The diocesan tax on each parish is the amount of the preceding years tax plus or minus any adjustment based on the judgment of the Bishop.

Each pastor arranges the insurance coverage on the parish. He invests excess parish funds in either bank certificates, savings accounts or stocks and bonds if permission is given. The pastor makes arrangements for any needed loans from banks or from other parishes which have excess funds and are willing to make a loan.

The financial statements of the parish contain a

Church Committee Certification, which is worded thus:

"We, the undersigned, hereby certify that we have examined this Financial Report and find that it agrees with the account books and vouchers of this parish, and that it corresponds accurately with this Annual Parish Report."

The Chancery has had their financial statements prepared by a certified public accounting firm for the past nine years. However, these statements are prepared without audit.

Some of the questions in the General Data Section of the Annual Report which pertain to accounting and financial reporting are:

Have you receipts and/or cancelled checks for all expenditures?

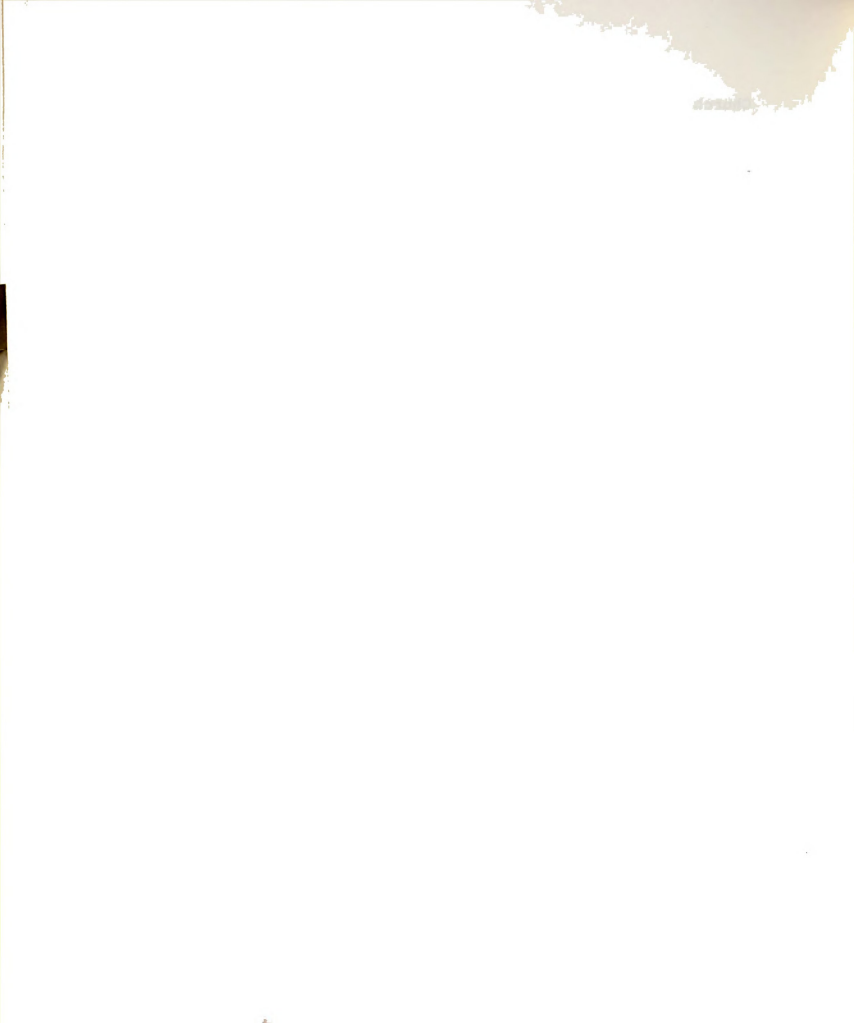
Who signs the parish checks?

Were all the borrowings and loans approved by the Chancery?

List all Real Property sold during the year.

What is the date of last appraisal of parish property? By whom?

After the parish financial reports are received at the Chancery, they are verified for clerical accuracy. The Bishop reviews the reports for general fairness and reasonableness. This review is based on personal judgment.



Diocese of Lansing

The Diocese of Lansing which was founded in 1937 covers the central part of Michigan. The Catholic population in the area is 204,603 out of a total population of 1,552,674. There are 97 parishes in the diocese which covers an area of 8,713 square miles.

The primary financial statement of the parishes is a statement of receipts and expenditures. This statement is filed annually with the Chancery by January 15th. It must be signed by the pastor and two lay-advisors, all of whom attest that, "We, the undersigned, declare the above to be a true statement taken from the Parish books." An example of the statement used is found in Illustration 5.

Supplemental schedules include (1) a Parish Cemetery Report, (2) an Insurance and Valuation Schedule, (3) a Debt Schedule, and (4) a Reserve Funds Schedule. The Insurance and Valuation Schedule enumerates the insurance coverage and the present value of church property, school property, the rectory, the convent and other properties. The present value figures represent either the pastor's estimate or the insurance value. The Debt Schedule lists the debt balances at year end by (1) mortgages, (2) notes, (3) other liens, and (4) bills due and unpaid. The Reserve Fund Schedule lists all investments in the reserve fund and their corresponding rate of interest.



ILLUSTRATION 5

DIOCESE OF LANSING--ANNUAL PARISH FINANCIAL REPORT

Receipts

A. Collections

1. Sunday and Holyday	\$ xxx
2. Pew Rent and Seat	xxx
3. Diocesan	
a. Holy Father	xxx
b. Indian and Negro	xxx
c. Good Friday	xxx
d. Home Missions	xxx
e. Orphans	xxx
f. Catholic University	xxx
4. Special	
Seminary	xxx
Propagation of Faith	xxx
5. School Receipts	xxx
6. Candles and Literature	xxx
7. Donations and Entertainments	xxx
8. Subscriptions	xxx
9. Other Receipts (Specify)	<u>xxx</u>
Total Current Receipts	\$xxxx
Balance forwarded from last year	xxxx
Authorized Loans	xxxx
Transferred from Reserve Fund	<u>xxxx</u>
Grand Total	<u><u>\$xxxx</u></u>

ILLUSTRATION 5--ContinuedExpenditures

B. Debt Payments

12. Interest	\$ xxx	
13. Principal	<u>xxx</u>	
Total		\$ xxx

C. Salaries

14. Clergy	\$ xxx	
15. Sisters	xxx	
16. Janitors	xxx	
17. Lay Help	xxx	
18. Choir	<u>xxx</u>	
Total		xxx

D. Supplies

19. School	\$ xxx	
20. Sanctuary	xxx	
21. Janitors	xxx	
22. Office	xxx	
23. Choir	xxx	

E. Repairs and New Furnishings

24. Church	\$ xxx	
25. School	xxx	
26. Rectory	xxx	
27. Convent	xxx	
28. Other Buildings (Specify)	<u>xxx</u>	

Total xxx

ILLUSTRATION 5--ContinuedExpenditures--Continued

F. Maintenance Expense

29. Heat	\$xxx
30. Lights	xxx
31. Gas	xxx
32. Insurance	xxx
33. Water	xxx
34. Telephone	<u>xxx</u>
Total	\$ xxx
35. Total Diocesan Collections	xxx
36. General Disbursements	
a. Diocesan Assessment	xxx
b. Seminary	xxx
c. Propagation of the Faith	xxx
d. Improvement Taxes	xxx
e. New Building (Specify)	xxx
f. Miscellaneous (Specify)	<u>xxx</u>
Total Current Expenses	\$xxxx
Amount placed in Reserve Fund During Year	xxxx
Balance on hand Dec. 31, 19__	<u>xxxx</u>
Grand Total	<u>\$xxxx</u>

All deeds, abstracts of title, etc., must be deposited with the Chancery. All mortgages and notes given by the parish must be signed by the Bishop. Before the transfer of any property to a parish the proposed deed, land contract or lease must be submitted to the Chancery for approval.

All extraordinary expenditures in excess of \$500 must

be approved by the Chancery. Investment of all parish reserve funds must be approved by the Chancery.

The clerical accuracy of the financial statements is verified at the Chancery. The Bishop then reviews each statement for reasonableness based on his judgment.

In the Diocese of Lansing, both the Christmas Collection and the Easter Collection in the parish are given to the pastor to supplement his salary. Neither collection is reported in the financial statements.

The Diocesan Assessment is a 2%-2 1/2% rate on the normal income of the parish. There has been a Diocesan Development Fund in existence for the last ten years. The diocese has not employed professional fund raisers in the conduct of this drive. The annual collections now total approximately \$500,000. The proceeds are used by the various agencies in the diocese.

The diocese has not employed certified public accountants at either the Chancery office or the parish level. Some of the charitable agencies which are eligible for Community Chest participation must submit their records to outside audit.

Budgets are generally not employed at either the Chancery office or the parish level. Some of the charitable agencies which are eligible for Community Chest participation must prepare and submit budgets.

Archdiocese of Detroit

The Archdiocese of Detroit which was founded in 1833 incorporates the Metropolitan Detroit area. The total population of this area is 4,540,700; the Catholic population is 1,461,567. There are 318 parishes in the archdiocese which covers 5,374 square miles.

The present financial report format for parishes was established twenty-five years ago. It is presently undergoing a review. The primary financial statement is the Statement of Operations, which is a summation of the receipts and expenditures of the parish. This statement is presented in Illustration 6. The first part of the statement shows what is termed the Net Income or Net Loss of the parish. The second part of the statement reconciles the beginning and ending cash balances.

Accompanying the Statement of Operations are six supporting schedules showing an analysis of the following:

1. Debt Service
2. Loans to Archdiocese and Repayments Thereof
3. Withdrawals From and Deposits to Specific Trust Fund Accounts
4. Cost of Land, Buildings and Improvements
5. Sales and Purchases of Securities
6. Inventory of Securities on Hand
(Other than Archdiocesan Notes)

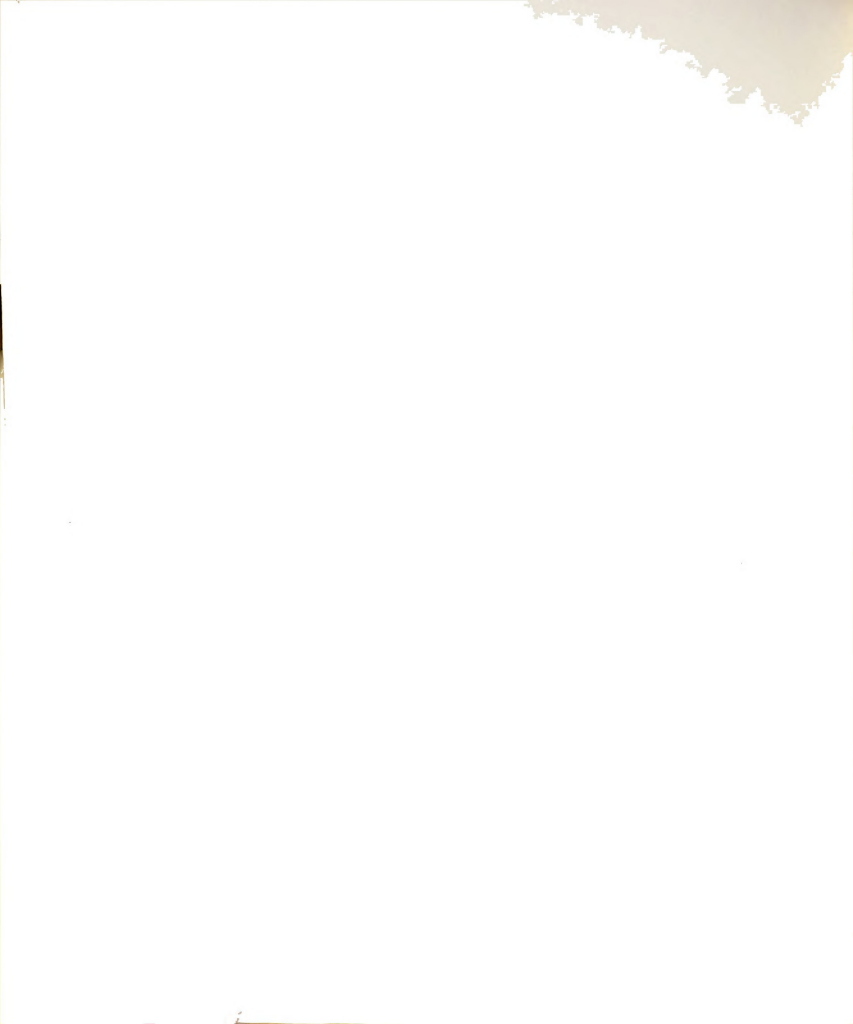


ILLUSTRATION 6

ARCHDIOCESE OF DETROIT--ANNUAL PARISH FINANCIAL REPORT

Receipts

1. Collections and Miscellaneous Items:

A. Sunday and Holyday	\$	xx	
B. Seat and Pew Rent		xx	
C. Devotions		xx	
D. Missions		xx	
E. Petition and Donation Boxes		xx	
F. Votive Stands and Pamphlets		xx	
G. Sale of Religious Articles		xx	
H. Fuel		<u>xx</u>	\$xxx

2. Subscriptions:

A. Subscription A/C of - _____	\$	xx	
B. Subscription A/C of - _____		<u>xx</u>	xxx

3. Entertainments, Bazaars, etc.:

A. Church	\$	xx	
B. School		<u>xx</u>	xxx

4. Income from Parish Investments

A. Dividends	\$	xx	
B. Interest		xx	
C. Rents		<u>xx</u>	xxx

5. School Tuition

xxx

6. Bequests and Donations

xxx

7. Insurance

xxx

8. Total Operating Income

\$xxxx

ILLUSTRATION 6--ContinuedExpenditures

9. Salaries:

A. Clergy--Pastor	\$	xx	
B. --Assistants		xx	
C. --Extra Assistants		xx	
D. Teachers--Religious		xx	
E. --Lay		xx	
F. Organist and Choir		xx	
G. Janitors and Sextons		xx	
H. Clerical and Housekeeper	xx	\$	xxx

10. Maintenance and Upkeep of Real Property:

A. Decorating	\$	xx	
B. Repairs		<u>xx</u>	xxx

12. Other Expenses:

A. Diocesan Quotas	\$	xx	
B. Equipment, Furniture and Furnishings		xx	
C. Insurance		xx	
D. Light, Heat, Water, and Power		xx	
E. Rent		xx	
F. Stationery, Postage and Printing		xx	
G. Taxes		xx	
H. Telephone and Telegraph		xx	
I. Transportation		xx	
J. Supplies--Church		xx	
K. --School		xx	
L. --Janitor		xx	
M. Upkeep of Equipment, Furniture and Furnishings		xx	
N. Miscellaneous (itemize)	xx	<u>xxx</u>	

13. Total Operating Expenses \$ xxx

14. Net Income (Difference between items
 8 and 13, if a loss enter in red
 and deduct)

xxx

15. Total

\$xxx



ILLUSTRATION 6--ContinuedExpenditures--Continued

16. Proceeds of Additional Loans		\$ xx	
17. Repayment of Funds Previously Loaned to Archdiocese			xx
18. Withdrawals from Specific Trust Fund Accounts			xx
19. Diocesan Collections			xx
20. Proceeds from Sale of Parish Assets:			
A. Land	\$ xx		
B. Buildings	xx		
C. Equipment	xx		
D. Securities	<u>xx</u>		xx
22. Net Income--Item 14			xx
23. Balance on Hand, Beginning of Period ____			
A. Current Operating Account	\$ xx		
B. Reserve Accounts	<u>xx</u>		<u>xx</u>
24. Total of items 16 to 23 inc. (Must agree with item 32)			<u>\$xxx</u>
25. Debt Service			
A. Principal	\$ xx		
B. Interest	<u>xx</u>		\$ xx
26. Loaned to Archdiocese			xx
27. Deposits to Specific Trust Fund Accounts			xx
28. Diocesan Collections Remitted to Chancery			xx
29. Cost of Land, Building and Improvements			xx
30. Invested in Securities			xx
31. Balance on Hand at End of Period			



ILLUSTRATION 6--ContinuedExpenditures--Continued

A. Current Operating Account	\$xx	
B. Reserve Accounts	<u>xx</u>	<u>xx</u>
32. Total of items 25 to 31 inc. (Must agree with item 24)		<u>\$xxx</u>

The Financial Report contains a Church Committee Certification which states, "We, the undersigned members of the Committee hereby certify that we have examined this Report for the year ending December 31, 19__ and that it reflects the financial condition of the parish on said date." The report and certification must be in the Chancery office on or before January 16th.

At the Chancery, the Financial Reports are verified for clerical accuracy. They are also reviewed for overall reasonableness. Certain data are extracted from the reports and placed in a ready reference schedule for use by the Archbishop. This would include financial information such as parish operating income, parish net income, debt outstanding, cash and securities balances, total operating expenses plus certain spiritual data such as number in the parish, number of baptisms, etc.

All extraordinary expenditures in excess of \$500 must be approved by the Chancery. All deeds and abstracts of titles must be deposited with the Chancery. Written per-

mission from the Chancery must be obtained before any property may be bought or sold by the parish. Each pastor arranges for his own insurance coverage. The diocesan tax on each parish is determined by taking 4% of the normal parish revenue less the parish debt outstanding. The proceeds of this annual tax are used to carry on the Chancery office, to maintain the Archbishop's home, to provide for support of the seminaries and to aid the charitable agencies in the diocese.

In 1943 the Archdiocese of Detroit pioneered the first centralized fund raising campaign. The Archdiocesan Development Fund was established. The purpose of this campaign is to provide for the needs of the community which an individual parish is unable to meet. The funds have been used to purchase future parish sites, establish homes for the aged, build seminaries, and other charitable and educational institutions. The campaign has no quota or goal in mind. Catholics are asked to give what they think they should give. The amount collected in each succeeding campaign has increased. The 1965 campaign raised a total of \$2,146,951. This amount is the largest in the twenty-three year history and represents an increase of \$119,365 over the previous year.

The Archdiocesan Development Fund has accelerated parish development at a lower cost. The fund has purchased

future parish land sites well in advance and made these available to the parishes at the time of need. The new parish repays the diocese the cost of the land site, which is probably below present market value, plus an interest rate of 3%. Under diocesan financing, pastors are forbidden to execute notes or mortgages. As a result of some serious financial difficulties during the economic depression of the thirty's, no outside borrowing by the parishes is allowed. Loans are available through the Chancery office at the 3% interest rate. For a good many years the Chancery office imposed an absolute debt limit of \$300,000 on each parish regardless of the size or wealth of the parish. Recently there has been some reconsideration of the matter and in certain cases the \$300,000 debt limit may be exceeded. The imposition of the debt limit was the result of the tight financial situation in earlier years.

Pastors are encouraged to invest their excess parish funds with the Chancery office at a return of 3% interest. The Chancery office will reinvest all excess funds which it holds in 90 day Treasury bills at an effective interest rate of better than 3%. Each pastor determines the excess cash position for his parish.

The primary accounting report of the archdiocese is an annual report containing the pertinent data for the



special funds operated by the diocese and for the parishes.

The contents of this compilation include:

1. a statement of condition
2. a statement of profit and loss
3. notes payable--banks
4. due from others
5. due to parishes and missions
6. due to others
7. consolidated statement of operations of parishes and missions
8. parishes and missions--according to size of income
9. parishes and missions--according to size of debt
10. parishes and missions--operating income, net income, debt, paid on commitment, cash and securities on hand (current year only)
11. parishes and missions--operating income, debt, paid on commitment, cost of land and buildings (23 year summation)
12. new buildings, repairs and alterations (15 year summation)
13. securities

In addition to the annual report there is a monthly report showing parish building under construction. This monthly report lists the parish, the purpose of the building, the cost, loans approved, balance of loans, refunds approved, balance of refunds, and debt in view of loan.

The Archdiocese has employed the services of certified

public accountants to a very limited extent. The parish reports and chancery operations have never been subject to audit. Certain charitable agencies, namely those which participate in United Foundation grants and/or which have rather substantial operating needs, have been subject to audit by independent public accountants.

Archdiocese of New York

The Archdiocese of New York which was founded in 1808 encompasses a portion of the New York Metropolitan area and several outlying counties. The total population of this area is 4,980,000; the Catholic population is 1,782,630. There are 402 parishes in the archdiocese which extends over 4,717 square miles.

In 1964 the Archdiocese of New York prepared an accounting manual for pastors. This fifty-seven page booklet titled Procedures for Parish Account Books contains all the detailed information which every pastor must know in order to meet the financial reporting requirements of the Chancery office.

Each parish must submit an annual financial report to the Chancery. The annual report consists of two statements, the Statement of Financial Condition and the Statement of Receipts and Expenditures. Both statements were revised in 1964 to make them more meaningful. The statements are reproduced in Illustration 7.

ILLUSTRATION 7

ARCHDIOCESE OF NEW YORK--ANNUAL PARISH FINANCIAL REPORT

Statement of Financial Condition
December 31, 19__Unrestricted FundsAssets

Cash on Hand and on Deposit	\$ xx
Real Estate, Furnishings and Equipment (Parish Plant)	xx
Investment Real Estate	xx
Mortgages, Notes and Loans Receivable	xx
Securities (Stocks and Bonds)	xx
Other Unrestricted Assets	<u>xx</u>
Total Unrestricted Assets	<u>\$ xxx</u>

Liabilities

Mortgages Payable	\$ xx
Notes Payable to Archbishopric of New York	xx
Unpaid Current Bills	xx
Improvements Not Paid For	<u>xx</u>
Total Liabilities	<u>\$ xxx</u>

Net Worth

Total Unrestricted Assets, Minus Total Liabilities	<u>\$ xxx</u>
---	---------------

ILLUSTRATION 7--Continued

Statement of Financial Condition
December 31, 19__

Restricted FundsCemetery Funds:

Asset of Funds		<u>\$ xxx</u>
Liabilities of Funds		\$ xx
Principal--Ordinary Care Funds	\$ xx	
Principal--Perpetual Care Funds	<u>xx</u>	
Total Principal of Funds		xx
Total Liabilities and Principal of Funds		<u>\$ xxx</u>

Trust Funds:

Assets of Trust Funds		<u>\$ xxx</u>
Liabilities of Trust Funds		<u>\$ xxx</u>

ILLUSTRATION 7--ContinuedStatement of Receipts and Expenditures From
January 1, 19__ to December 31, 19__ReceiptsOrdinary Receipts:Regular Receipts:

1. All Sunday, Week-Day and Holy-Day Collections	\$ xx	
2. Ordinary Donations	xx	
3. Votive Shrines and Candles	xx	
4. Perquisites	xx	
5. Special Christmas and Easter Collections	xx	
6. Other Regular Receipts	<u>xx</u>	
Sub-Total, Regular Receipts		\$ xxx

Auxiliary Receipts:

7. Missions, Novenas and Special Services	\$ xx	
8. Bazaars, Entertainments, etc.	xx	
9. Interest and Dividends	xx	
10. School Income	xx	
11. Other Auxiliary Receipts	<u>xx</u>	
Sub-Total, Auxiliary Receipts		<u>xxx</u>
Total, Ordinary Receipts		\$ xxx

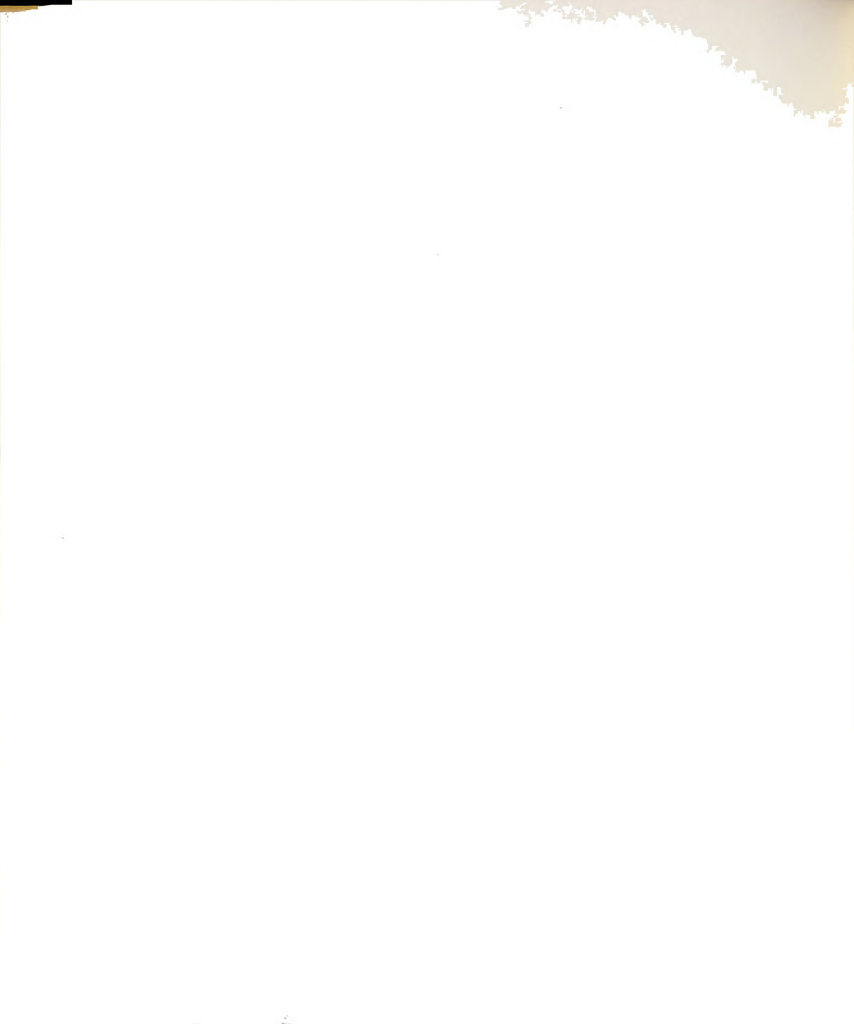


ILLUSTRATION 7--Continued

Statement of Receipts and Expenditures From
January 1, 19__ to December 31, 19__

Receipts

Extraordinary Receipts:

12. Extraordinary Donations and Bequests	\$xx
13. Income from Rental Property	xx
14. Return on Loans	xx
15. Other Extraordinary Receipts	<u>xx</u>
Sub-Total, Extraordinary Receipts	\$ xxx
16. Charitable Collections	xxx

Increase in Debt:

17. Notes Payable to Archbishopric of New York	\$xx
18. Other (Mortgages, etc.- show details)	<u>xx</u>
Sub-Total, Increase in Debt	xxx
19. Bank Transfers and Exchanges	<u>xxx</u>
Total Cash Receipts	<u><u>\$xxxx</u></u>

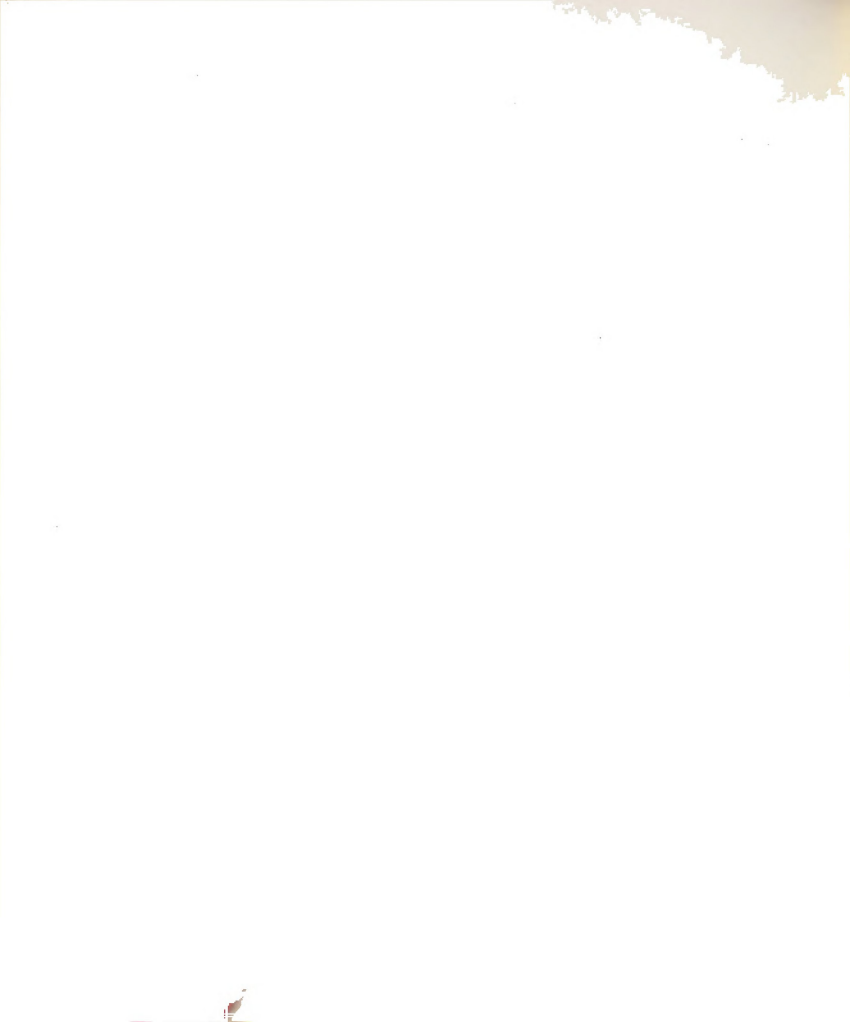


ILLUSTRATION 7--Continued

Statement of Receipts and Expenditures From
January 1, 19__ to December 31, 19__

ExpendituresOrdinary Church and Rectory Expenses:

1. House Maintenance	\$ xx
2. Clergy Salaries	xx
3. Lay Salaries	xx
4. Payroll Taxes and Pension Deductions	xx
5. Choir Expenses	xx
6. Catechetical Instructions	xx
7. Youth Program	xx
8. Votive Lights and Shrine Candles	xx
9. Altar Supplies	xx
10. Coal, Oil, Gas and Electricity	xx
11. Telephone	xx
12. Printing and Office Expenses	xx
13. Insurance	xx
14. Ordinary Maintenance and Repairs	xx
15. Diocesan Assessments	xx
16. Interest	xx
17. Other	<u>xx</u>

Sub-Total, Ordinary Church
and Rectory Expenses

\$ xxx

Ordinary School Expenses:

18. Religious Teachers' Stipend	\$ xx
19. Lay Teachers' Salaries	xx
20. Other Lay Salaries	xx
21. Coal, Oil, Gas and Electricity	xx
22. Telephone and Office Expense	xx
23. School Books, Printing and Supplies	xx
24. Ordinary Maintenance and Repairs	xx
25. Insurance	xx
26. Other	xx
27. Convent Maintenance	<u>xx</u>

Sub-Total, Ordinary School Exp.

xxx

Total Ordinary Expenses

\$ xxx



ILLUSTRATION 7--ContinuedStatement of Receipts and Expenditures From
January 1, 19__ to December 31, 19__ExpendituresExtraordinary Expenditures:

28. New Property--New Buildings--Extension	\$ xx
29. Extraordinary Repairs and Renovations	xx
30. Furniture and Fixtures	xx
31. Vestments and Sacred Vessels	xx
32. Amounts Loaned	xx
33. Other	<u>xx</u>

Sub-Total Extraordinary Expenditures	\$ xxx
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34. Charitable Collections	xxx
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Decrease in Debt:

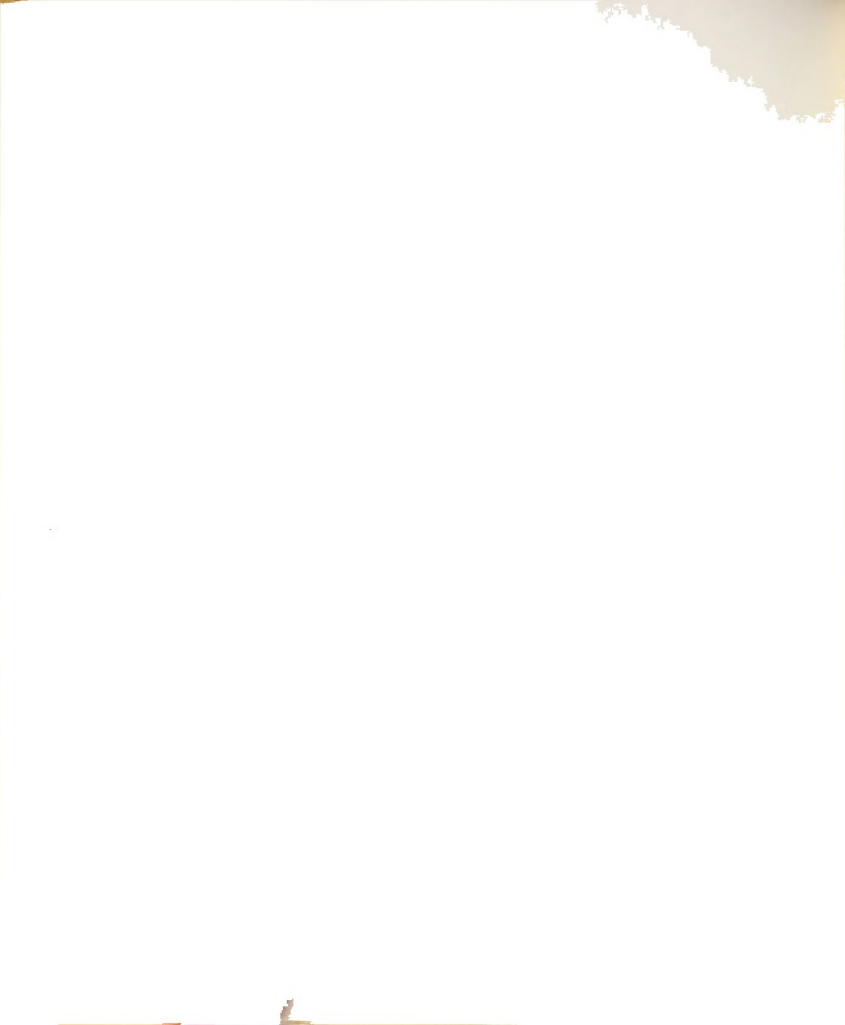
35. Notes Payable-Archbishopric of New York	\$ xx
36. Other	<u>xx</u>

Sub-Total, Decrease in Debt	xxx
-----------------------------	-----

37. Bank Transfers and Exchanges	<u>xxx</u>
----------------------------------	------------

Total Cash Expenditures	<u><u>\$xxxx</u></u>
-------------------------	----------------------

In the past the Archdiocese encountered a certain amount of difficulty with the preparation of the real estate information contained in the Statement of Financial Condition. The main source of such difficulty had been the problem of value. In older parishes the original cost of property, including land, buildings and contents, had been lost with the passage of time, changes in personnel, and

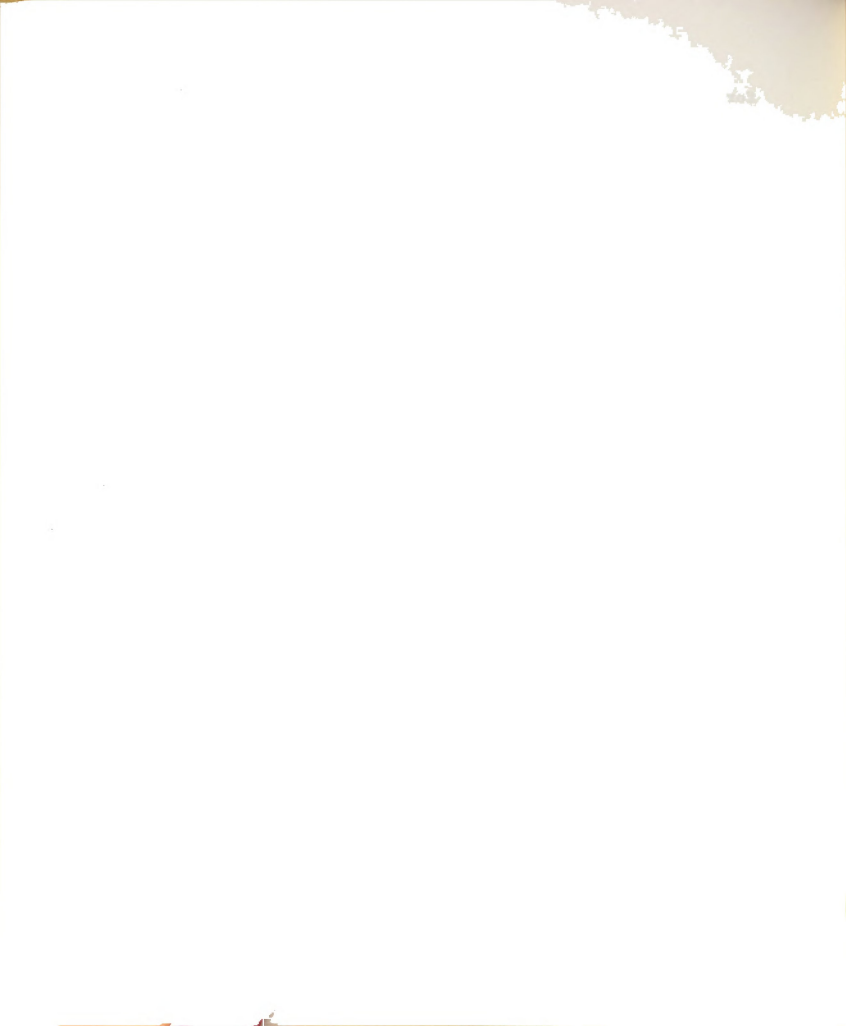


for other reasons. Another problem has been the changing value of the dollar, which made original cost almost meaningless in determining the present day replacement values of properties acquired many years ago.

In an effort to overcome these difficulties and to provide financial information that has some degree of validity, the Archdiocese established in 1964 certain guidelines which it hoped would bring about a reasonable approximation of the value of parish properties with a minimum of effort. In the case of land the assessed value for real estate tax purposes is used. The original cost of land, if known, is to be recorded as a memorandum for its historical significance. In the case of Buildings and Contents, the latest insurance appraisal is used, plus any additions and less any disposals made since the last appraisal.

Normally the parish will only lend funds to the Archdiocese. It is not the policy in the Archdiocese for a parish to invest unrestricted surplus funds in stocks and bonds. There may be specific circumstances where a parish will own such securities, for instance, where stocks or bonds were received by donation or bequest. Normally the policy is to sell all securities that are donated as soon as possible.

As a parish accumulates funds beyond its needs, it may



loan the excess to the Archdiocese of New York. The Archdiocese through its Archdiocesan Loan Account uses the funds to assist the building program throughout the Archdiocese. A parish may wish to deposit funds in a savings account in a bank. The pastor must obtain approval from the Chancery office.

In 1965 the Archdiocese of New York is undergoing a systems review of its accounting and financial reporting for the Chancery office. As a result no information which pertains to this aspect of the archdiocesan operations is available at this time.

Archdiocese of Chicago

The largest Catholic diocese in the United States is the Archdiocese of Chicago. Founded in 1843, it numbers a Catholic population of 2,317,700 out of a total population of 5,574,000. There are 447 parishes in the archdiocese which covers only 1,411 square miles.

Each pastor must file an annual report for his parish with the Chancery office on or before January 31. The report is signed by the pastor and two members of the Church Committee. The present annual report was revised in 1964. It contains both statistical and financial information. The primary financial statement is a statement of cash receipts and disbursements by classification. This statement is reproduced in Illustration 8.

ILLUSTRATION 8

ARCHDIOCESE OF CHICAGO--ANNUAL PARISH FINANCIAL REPORT

Ordinary Cash Receipts and Disbursements

<u>A. Ordinary Income</u>		<u>B. Ordinary Expenses</u>	
1. Sunday & Holy Day Collections	\$ xx	1. Salaries--Pastor and Assistants	\$ xx
2. Easter Collection	xx	2. Honorarium for Extra Priests	xx
3. Christmas Collection	xx	3. Lay Employees Salaries	xx
4. Other Services Collections	xx	4. Payroll Taxes and Benefits	xx
5. Other Church Income	xx	5. Utilities--Heat, Light, etc.	xx
6. Parish Activities Income	xx	6. Insurance Premium	xx
7. Parish Societies Income	xx	7. Routine Maintenance and Repairs	xx
8. Interest Income	xx	8. Other Church Expenses	xx
9. Miscellaneous Income	xx	9. Other Rectory Expenses	xx
10. Other (specify)	xx	10. Parish Activities Expenses	xx
		11. Interest on Loans	xx
		12. Miscellaneous Exp.	xx
A. Total Ordinary Income	<u>\$ xx</u>	B. Total Ordinary Exp.	<u>\$ xxx</u>

ILLUSTRATION 8--Continued

Collections and Contributions Required for
Archdiocesan and World-Wide Programs

<u>C. Archdiocesan Income</u>		<u>D. Archdiocesan Expenses</u>	
1. Peter's Pence	\$ xx	1. Peter's Pence	\$ xx
2. Holy Land	xx	2. Holy Land	xx
3. Catholic University	xx	3. Catholic University	xx
4. Catholic Charities	xx	4. Catholic Charities	xx
5. Propagation of the Faith	xx	5. Propagation of the Faith	xx
6. Bishop's Relief	xx	6. Bishop's Relief	xx
7. Mission Collection	xx	7. Mission Collection	xx
8. Seminary Expansion	xx	8. Seminary Expansion	xx
9. New World	xx	9. New World	xx
10. Seminary	xx	10. Seminary	xx
11. New High Schools	xx	11. New High Schools	xx
12. Cathedraticum	xx	12. Cathedraticum	xx
13. Infirm Priest Fund	xx	13. Infirm Priest Fund	xx
14. Catholic Lay Action	xx	14. Catholic Lay Action	xx
15. Stritch School of Medicine	<u>xx</u>	15. Stritch School of Medicine	<u>xx</u>
C. Total Archdiocesan Income	<u>\$xxx</u>	D. Total Archdiocesan Income	<u>\$xxx</u>

ILLUSTRATION 8--ContinuedExtraordinary Cash Receipts and Disbursements

<u>E. Extraordinary Income</u>		<u>F. Extraordinary Expenses</u>	
1. Bequests and Memorials	\$ xx	1. Construction Account Deposits	\$ xx
2. Parish Building Fund	xx	2. Principal Payment	
3. Proceeds from Sale of Property	xx	Loans	xx
4. Other Extraordinary Income	xx	3. Extraordinary Maintenance Exp.	xx
		4. Other Extraordinary Exp.	xx
E. Total Extraordinary Income	<u>\$xxx</u>	F. Total Extraordinary Expenses	<u>\$xxx</u>

School Receipts and Disbursements

<u>G. School Income</u>		<u>H. School Expenses</u>	
1. Tuition	\$ xx	1. Religious Teachers Salaries	\$ xx
2. Other School Income	xx	2. Lay Teachers Salaries	xx
		3. Other School Expenses	xx
G. Total School Income	<u>\$xxx</u>	H. Total School Exp.	<u>\$xxx</u>

Annual Summary

A. Total Ordinary Income	\$xxx	B. Total Ordinary Exp.	\$xxx
C. Total Archdiocesan Income	xxx	D. Total Archdiocesan Expenses	xxx
E. Total Extraordinary Income	xxx	F. Total Extraordinary Expenses	xxx
G. Total School Income	<u>xxx</u>	H. Total School Exp.	<u>xxx</u>
I. Total of All Parish Income	<u>\$xxx</u>	J. Total of All Parish Expenses	<u>\$xxx</u>

In addition to this primary statement, the annual report includes (1) a distribution of the ending cash balance by account, (2) a list of unpaid debts outstanding and due as of December 31, and (3) the amount of the total indebtedness of the parish as of year end. The pastor must also estimate the total amount of payments he expects to make in the following year to reduce the parish indebtedness. The 1964 annual report asked each pastor (1) to give the total number of pupils in grade school as of December 31, 1964, and (2) to compute the average annual tuition paid in 1964 (obtained by dividing the total number of pupils into the total school income shown in Section G of the annual report).

All expenditures in excess of \$2,000 must receive approval from the Chancery. Extraordinary maintenance expense represents amounts spent on major repairs, maintenance and renovations, such as, extensive remodeling of church, convent, rectory or school; installation of air-conditioning and sprinkler systems, replacement of major equipment such as boilers, furnaces and the like. If an item is questionable, only expenses in excess of \$10,000 should be considered extraordinary.

The Archdiocese of Chicago has been a real innovator in the area of accounting and financial planning. A number of bold steps in this area were advanced by the late

Albert Cardinal Meyer, the Archbishop of Chicago, who died of cancer on April 9, 1965. One of these innovations was the appointment of a Lay Director in the Chancery Office on January 29, 1964. Regarding the duties and function of the Lay Director, Cardinal Meyer said, "He will assist in planning, directing and controlling financial and related activities centered in the Chancery Office. These will include building programs, long term financial planning, budget and control systems, personnel administration and research activities."¹ Cardinal Meyer said the appointment stems from ". . . my desire to apply advanced management concepts to the Church's temporal affairs."²

On May 1, 1964, the archdiocese issued regulations governing deposits and withdrawals in (a) the Savings Accounts and (b) Investment in Catholic Bishop of Chicago Notes. These regulations attempt to maximize the earning potential of the cash balances maintained by the parishes and to reduce the indebtedness of the parishes. The main features of these regulations, which were sent to each pastor, are:

¹Catholic Property Administration, Vol. 28, No. 4 (April, 1964), p. 4.

²Ibid.

1. Policy. All Parish funds, excluding funds necessary for operating purposes, are to be placed on deposit with the Catholic Bishop of Chicago, either in Savings Deposits or invested in Catholic Bishop of Chicago Notes.
 2. Not more than the average operating expenses of the Parish for a period not to exceed two months may be accumulated in the Parish bank account. Any funds in excess of this amount shall be placed on Savings Deposit with the Catholic Bishop of Chicago immediately.
 3. No Parish funds may be placed in Savings Deposits or in Catholic Bishop of Chicago Notes as long as such Parish has an indebtedness or a building project under construction. All excess Parish funds above the maximum required for operating purposes, shall be applied toward reducing the Parish indebtedness until it is liquidated. However, funds may be accumulated in a Savings Deposit account for the purpose of meeting regular payments on the Parish debt according to a planned debt reduction program.
 4. Deposits. The Catholic Bishop of Chicago will receive any amount at any time in the Savings Deposit account of a Parish. All such deposits shall be made to the Cashier at the Chancery office and shall receive interest. The canceled check of the Parish shall be the receipt for all deposits. Deposits made in cash must be receipted in writing on a pre-numbered receipt immediately, prepared by the Cashier.
 5. Interest Rate. Interest on Savings Deposits shall be paid at the rate of and in the manner prevailing in the four largest LOOP banks in Chicago on time deposits. Currently this will be 4% per annum on funds left on deposit compounded every three months.
-
17. Catholic Bishop of Chicago Notes. Funds in excess of One Thousand (\$1,000) Dollars may be placed with The Catholic Bishop of Chicago for a period of at least one year or more. Such funds shall be evidenced by a Catholic Bishop of Chicago Note, showing

the amount of the Note, the maturity date and the rate of interest paid by the Catholic Bishop of Chicago. The interest on Notes shall be paid semi-annually.

18. The rate of interest paid on Catholic Bishop of Chicago Notes shall be as follows:

For One Year . . . $1\frac{1}{2}\%$ below prime

For more than One Year but less than Five
Years . . . $1\frac{1}{4}\%$ below prime

For Five Years and more . . . the prime rate

19. Currently, the prime rate is four and one-half
($4\frac{1}{2}\%$) per cent per annum.

.

21. In the event any holder of Catholic Bishop of Chicago Notes requests payment prior to the expressed maturity date, the said note-holder must give The Catholic Bishop of Chicago at least thirty days notice of withdrawal. The Catholic Bishop of Chicago has the right to waive this requirement.

Each pastor was told that parish money, which was earning nothing in the checking account, now begins to earn $3\frac{1}{2}\%$ immediately in the Savings Account and then $4\frac{3}{4}\%$ in debt reduction because the pastor saves this amount in interest in reducing the parish debt. At year end when the annual reports of the parishes are received at the Chancery office an immediate review is made to see that the checking account cash balance for the parish does not exceed the maximum two months operating expense figure established in the regulations. If the balance does exceed the maximum, the pastor is notified and requested to invest



the excess balance.

It is perhaps too soon to measure the success of such a program. But there is one factor to date which seems to point out that success is inevitable. The changeover from a purely voluntary, self-determined program to a compulsory, guided one increased the account balance at the Chancery from two million dollars to eight million dollars. Certainly this increase is sizeable by any standard. The Archdiocese is still attempting to find ways of reducing existing cash balances in the parish and making these funds work even harder.

Another major innovation in the Archdiocese of Chicago was the establishment of the Archdiocesan Insurance Program (AIP) on February 1, 1965. Prior to this date, Chicago, as all the other dioceses in our study, followed the policy whereby each pastor was responsible for the insurance coverage on his parish. The amount of coverage, the insurance premium expense, the kind of coverage would vary by parish depending on the nature and knowledge of the pastor and the insurance agent. Then several years ago a tragedy struck Chicago. A fire swept Our Lady of Angels Catholic grade school, demolishing the building and fatally injuring a number of young children. One of the aftermaths of this tragedy was the revelation that although the premiums for insurance were rather sub-

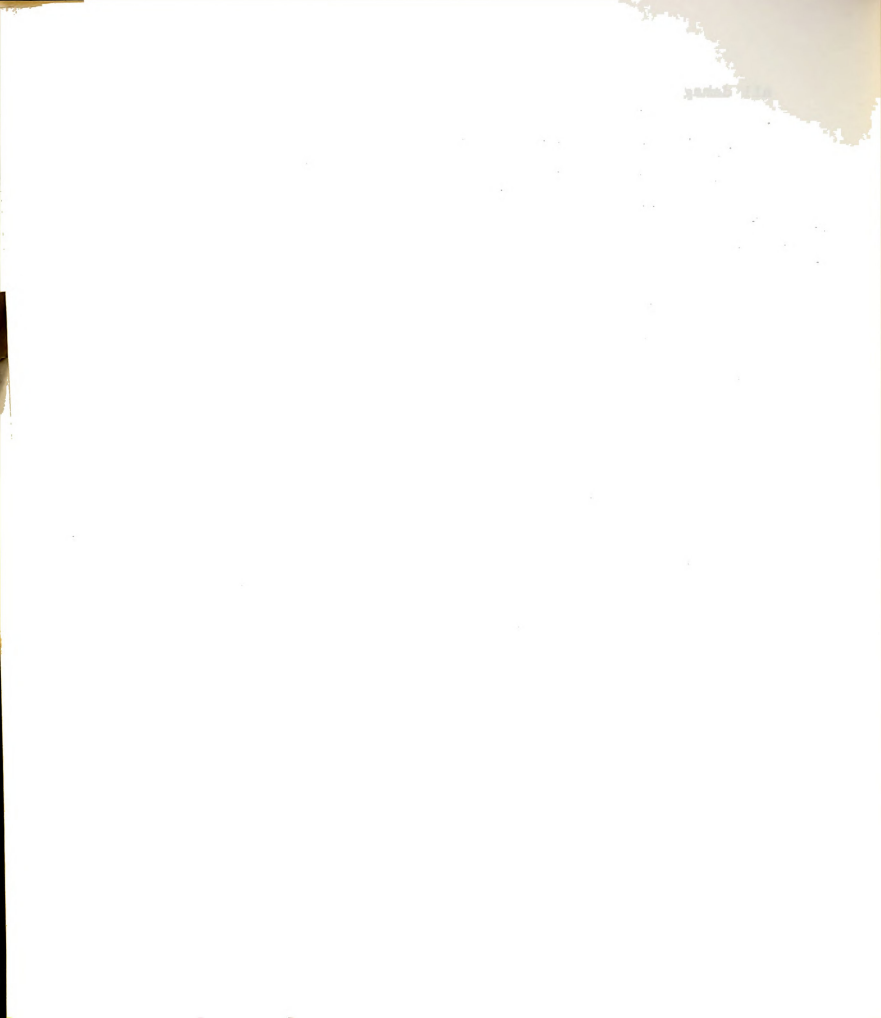
stantial, the insurance coverage was not adequate. A survey was conducted throughout the archdiocese. The survey revealed that (1) the contents of buildings and automobile property damage often were under-insured, (2) about one-fourth of the parishes failed to carry any type of money protection, (3) about one-half carried little or no protection from boiler explosion, (4) fire protection generally covered only depreciated value of the property instead of the actual replacement cost, (5) the amount of general liability and automobile liability varied considerably, and (6) there was no real uniformity of perils insured; much owned property excluded and many insurable loss hazards were not included.

The Archdiocesan Insurance Program is a self-insurance program that provides uniform all risk coverage under one comprehensive plan for all parishes and agencies of the Archdiocese of Chicago that are a part of The Catholic Bishop of Chicago, a corporation sole. The self-insurance program covers all property owned by the Catholic Bishop of Chicago. This includes buildings; their contents and equipment, fine arts, stained glass; all vehicles; all money and securities. All new construction is included. All property is covered on a replacement cost basis. The program covers all liability incurred under workmen's compensation statutes, all public and automobile liability and

all damage to property or liability to individuals as a result of boiler or pressure vessel explosion.

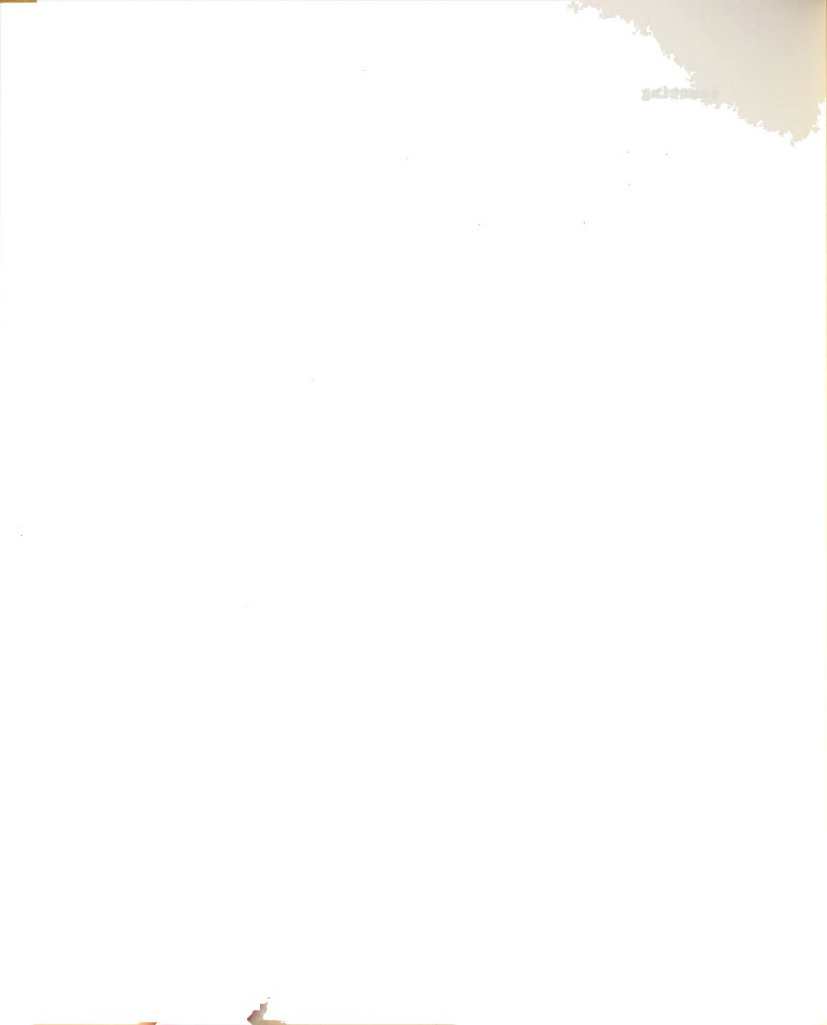
Each parish is given full credit for the unexpired term of any insurance still in effect. As the present policies expire, the parish will be charged the same amount as in the past as the cost of renewal, less five per cent. Thereafter, this amount will be billed to the parish by the Chancery Office. No parish or agency, therefore, will pay more for insurance than it is presently paying, even though the coverage will be more extensive. In addition to the five per cent reduction on the first renewal, additional reductions are anticipated over the long term. The immediate annual savings will approximate \$700,000 for the first year.

On June 22, 1965 an Organization Chart for the Archdiocese of Chicago was put into effect. This action represented another first in the history of the archdiocese. The Lay Director is made responsible to the Vicar General of the Archdiocese. The Lay Director heads three major areas, (1) Property Service, (2) Office Service, and (3) Financial Service. Property Service is divided into (1) Construction Maintenance, (2) Purchasing, (3) Real Estate-Insurance, and (4) Legal. Office Service is divided into (1) Transcribing, (2) Mail-Messenger, (3) PBX-Receptionist, and (4) Stores. Financial Service is divided into (1) Ac-



counting, (2) Budget Control, and (3) Payroll. The general consensus seemed to be that now that responsibilities have been defined and relationships established the operation should be more active and progressive.

The Archdiocese of Chicago also has a standard procedure for processing capital expenditure requests by the parishes. A Board of Consultors, a group of priests selected by the Archbishop, serves as the review committee for new construction, loans, refinancing, etc. The pastor making the request must submit financial data and a narrative in advance of the hearing. There are five parts to the record on the project. Part one considers the nature and need for the project, the total cost involved, a breakdown of that cost into its elements, the cost per square foot, etc. Part two summarizes the amount of the existing debt of the parish and the amount of the loan needed from the archdiocese. Part three gives the method of repayment as proposed by the pastor of the parish. Part four is the appraisal of the project, method of repayment and any other matter as analyzed by the Lay Director of the Archdiocese. Part five is the record of the action taken by the Board of Consultors on the project. The formalizing of this segment of activity has proved invaluable for projects under consideration because it has forced the parties involved to state their case in writing. Secondly the cases once



resolved are serving as reference material for future actions.

The Christmas and Easter Collections do not accrue to the pastor of the parish, and they are reported in the financial statements. The Archdiocese does not conduct a central fund raising campaign. The consensus seemed to be that the installation of such a campaign would be injurious to the whole revenue producing program. The diocesan assessment on each parish is 7% of the Ordinary Income of the parish effective with the 1965 calendar year. Prior to this date the formula was rather involved and some felt it was not equitable. Payment of the assessment is made on a quarterly basis.

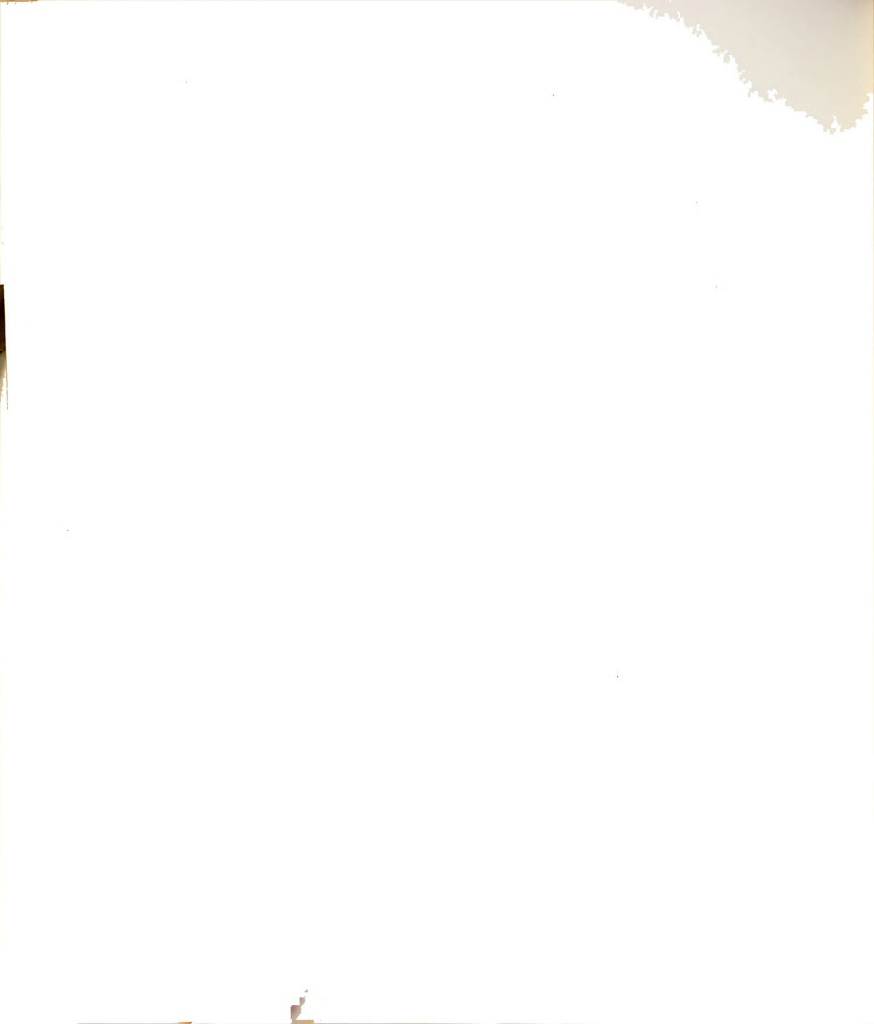
The Chancery Office in Chicago is responsible for the operation of twenty-three funds. Six are operating funds; seventeen are restricted funds. As of January 1, 1965, the funds in use were as follows:

Operating Funds

- | | |
|-------------------------|--------------------------------|
| 1. General Fund | 4. Seminary Fund |
| 2. Chancery Office Fund | 5. Missions and Charities Fund |
| 3. Cathedraticum Fund | 6. Revolving Construction Fund |

Restricted Funds

- | | |
|-------------------|--------------------------------|
| 1. Annuities Fund | 9. Archdiocesan Parish Welfare |
|-------------------|--------------------------------|

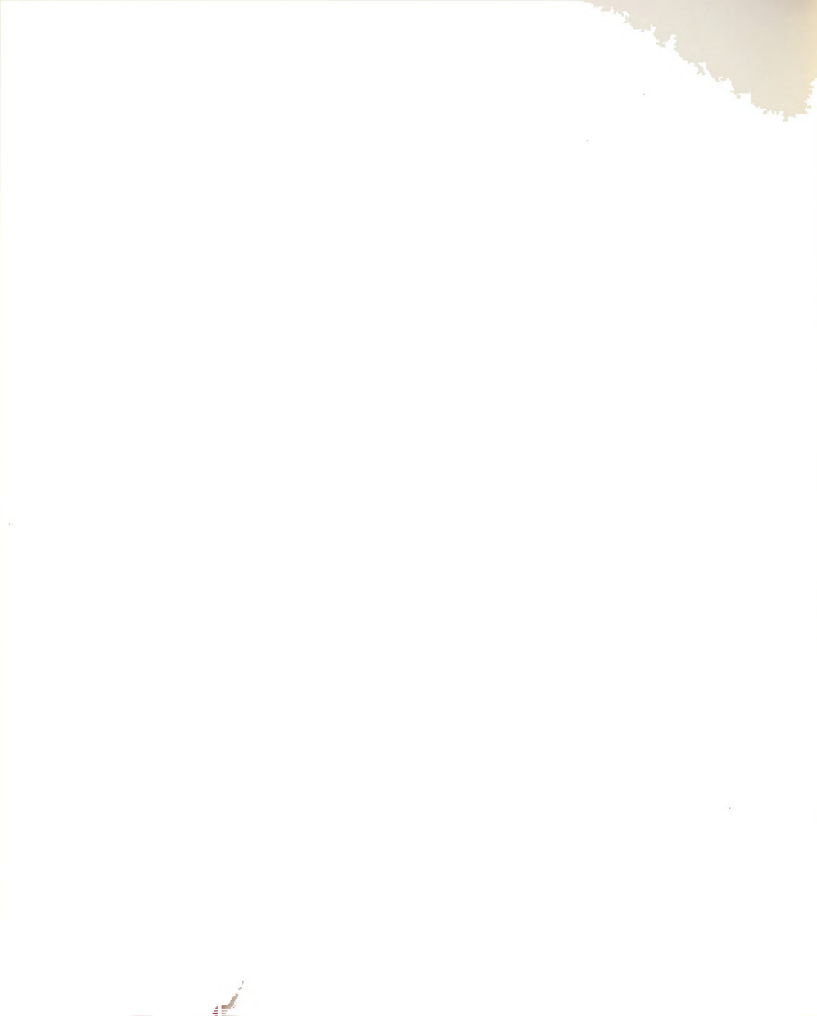


- | | |
|---------------------------------|----------------------------------|
| 2. Perpetual Trust Fund | 10. Our Lady of Angels Fire Fund |
| 3. St. Mary of Lake Scholarship | 11. Infirm Priests Fund |
| 4. Quigley Scholarship | 12. Catholic Lay Action Fund |
| 5. Designated Grants | 13. Seminary Expansion Fund |
| 6. Catholic Charities | 14. Cardinal Mundelein Charities |
| 7. St. Mary of Lake Library | 15. Cardinal Stritch Memorial |
| 8. N.R.E. High School Fund | 16. Archbishop's Special Fund |
| 17. Student Loan Foundation | |

The Archdiocese of Chicago has employed certified public accountants to audit the records of the archdiocese for a good many years. At the present time a national firm of certified public accountants prepares audited statements on The Catholic Bishop of Chicago, a corporation sole, but excludes the 447 parishes, the major and minor seminaries, cemeteries and other institutional property. The Archdiocese has also employed a firm of certified public accountants for systems review and other special work.

Summary

The accounting and financial reporting practices in the dioceses under review are similar in many respects. However, there are several noteworthy differences. Having



established a pattern of what is the existing practice, we can now proceed to analyze, criticize and recommend. We can now begin applying sophisticated techniques of financial and managerial accounting to two organization levels of the Roman Catholic Church.

CHAPTER III

SELECTED APPLICATIONS AT THE PARISH LEVEL

The primary financial reporting vehicle at the parish level of the Roman Catholic Church has remained virtually unchanged over the last half-century. In light of current developments in accounting and financial reporting, the statements used by the church appear to be primitive and non-communicative. But the failure to make changes in reporting practices and the somewhat obvious appearance of primitiveness are not sufficient reasons in themselves to advocate changes in accounting and financial reporting practices. The ultimate test rests with the parties who are to be served. If the users of financial reports find them to be a meaningful tool in decision making, criticism of the tool lies on tenuous ground. If the users of financial reports find the tool awkward and ill conceived, then in light of what has been already observed, criticisms are proper and recommendations are in order.

Reflections on Usefulness

There is an accumulation of evidence which bears out the proposition that managerial and financial accounting is



not being utilized to its full capacity in the Roman Catholic Church. In December, 1948 the American Institute of Management undertook its first of three management audits of the Roman Catholic Church. These studies were published in 1956, 1960 and 1962. Portions of the studies relate to the financial and accounting reporting practices. They tend to bear out the inadequacies and shortcomings as evidenced by the following excerpt from the 1956 report.

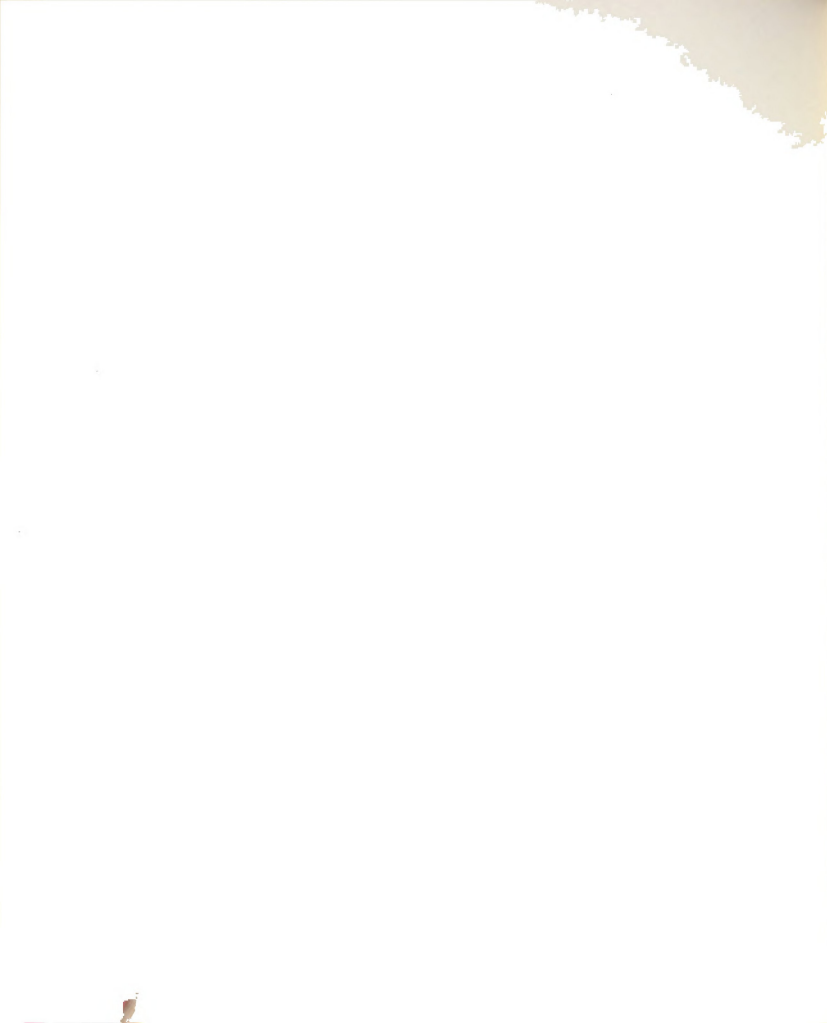
Policy making in the financial area appears to the American Institute of Management to be a main area of weakness in the administration procedure of the Vatican. . . .

Most students of the Church consider that its fiscal policies have come nearer perfection than activities in any other administrative areas. We do not concur in this opinion. It is our judgment for one thing that a lack of depreciation reserve is of major consequence.

The Catholic Church is the only government in the world that makes no public statement of its finances. Many privately owned companies now tell the public more about their finances than the Catholic Church tells its members.¹

The 1960 study sounds a more optimistic note in this same regard when it states that: "Recent events show a tendency toward greater awareness of the need of efficiency in financial matters. For example, Catholic hospitals in the United States have now established (since

¹The Roman Catholic Church--Management Audit. American Institute of Management, 1956, p. 16.



our initial study) a uniform system of accounting."¹

The preceding comments criticize primarily the managerial and financial accounting practices at the top level of the organization structure, namely the Vatican. From this, the conclusion could follow that the same criticism applies at the two lower organization levels, which are the subjects of this study. In addition to the inference which has been drawn, there is some direct evidence in support of this hypothesis.

In a recent article on the reforms required if the parochial school system is to survive, the superintendent of schools in the Diocese of Saginaw, Michigan stated that the area of financial operation and control is one "in which understanding is limited and control erratic."² The superintendent goes on to render this solution to the problem.

The only way an institution based on a fund accounting system can successfully render an account of the fund placed at its disposal is to have an operational budget. Such a budget not only guarantees the availability of needed funds but limits all expenditures within categories previously recognized in the annual budget.

The present financial operation of parish schools, however, is based largely on a confusion of func-

¹The Roman Catholic Church--Management Audit, loc. cit. (September, 1960), p. 6.

²Fr. Olin J. Murdick, "Preparing for Change in Parochial Schools," America, Vol. 112, No. 9 (February 27, 1965), p. 283.



tions and roles.¹

Sophisticated managerial accounting techniques and reports will be needed to make such future decisions as these suggested by the author: (1) need to consider parish school reorganization along interparochial lines, (2) need to determine whether the Catholic community has the capacity and actually needs to support any given Catholic educational program, and (3) need to make the Catholic school an institutional operation open not only to the Catholic community but to the public at large.²

A prominent Catholic layman lamented the fact that sophisticated accounting information was not available with regard to the operation of the parochial schools in his diocese. Donald C. Hunt, a member of the School Board of the Parochial School System of the Archdiocese of Detroit, told his audience of school administrators and teachers that:

We are interested in knowing what it presently costs to operate our schools, and we have found out that no one really knows--what is our cost per elementary pupil--per high school student--per year--per classroom--per school--or any other acceptable basis. There just isn't any reliable information or data available.³

¹Ibid.

²Ibid., p. 284.

³Donald C. Hunt, "The Archdiocesan School Board Reports." A report given at the Annual Teachers' Institute, University of Detroit, February 1, 1965.



The existence of this situation seems unbelievable for an operation which in 1964 disbursed in excess of twelve million dollars for teachers' salaries and expects that figure to increase to more than seventeen million within the immediate future. This lack of information seems incredible for an organization which provided an education either full or part time for over 340,000 students in 1964. Mr. Hunt goes on to say that, "The Board is of the opinion that most Catholics are not aware, to any degree whatsoever, of the cost of parochial education. And further, that if they are made aware of these costs and the details in operating our schools, very generous financial support will result."¹

The lack of accounting information regarding the operations of parochial schools is not peculiar to the Archdiocese of Detroit alone. It is a problem throughout all dioceses. Brother Leo V. Ryan, C.S.V., Ph.D. has performed research in this area. He points out what national data is needed, why it is needed and what is presently available.

It is a matter of national importance that spokesmen for Catholic education can answer the important question of per pupil cost. Without such data, it is difficult to identify the financial and tax-saving contributions of Catholic education to the nation; to

¹Ibid.

measure the extent of financial support for parochial schools on the part of parents and parishioners; to accurately compare school costs with expenditures for public education; or to establish a real need for financial support or subsidy for Catholic education on the basis of facts. Presently it is difficult for the national leaders in Catholic education to indicate even a gross figure of expenditures for Catholic education at any level: elementary, secondary, or college.¹

Brother Ryan states that the decision makers need to have this information available in order to carry out their duties and responsibilities.

It is important that diocesan authorities can answer this question of per pupil costs. The desirability of accurate comparable cost data facilitates planning, allows comparison between and among parish and private schools within the diocese, and provides a sound basis for financial comparison with local public schools or school districts. Few diocesan superintendents can answer the direct question: 'What does it cost to educate students in the schools of your diocese?' And this question is being asked at least annually by education editors of local newspapers; by the bishops themselves, especially in the less affluent dioceses and in those undertaking a widespread expansion of their educational facilities; and by pastors who must meet the constantly rising cost of education from parish collections and assessments.²

A final observation which supports the argument that accounting is not being utilized in its fullest is the almost total absence of information on accounting and finance in the Catholic literature for religious administrators.

¹Bro. Leo V. Ryan, C.S.V., "Can We Determine Per Pupil Costs?" Catholic Management Journal, Vol. 4, No. 4 (September, 1961), p. 3.

²Ibid., p. 4.

A popular handbook for newly appointed pastors devotes barely several pages to the accounting and financial problems which the religious administrator can expect to face.¹

Responsibility and Disclosure

A good deal of the problems of poor financial reporting is lodged in the prevailing concept of secrecy with respect to the financial matters of the Roman Catholic Church. However, the opposing concept of full disclosure in financial matters seems to be gathering support recently from a number of sources. The concept of total financial reporting is being advocated by a number of different people for a number of different reasons.

A pastor of a parish in Springfield, Illinois recalls the evolution of financial reporting by the pastor to his parishioners.

. . . Should the pastor, steward that he is, give an account of his stewardship? To his Bishop, of course. He has no choice in the matter--fortunately! But should he report to his people?

When this writer was young (having been born in 1907, reached the so-called age of reason and memory by 1914, and been ordained in the year 1933), I must at this point confess that I cannot remember a pastor doing so in those halcyon years. But then, it may be just a very poor memory, or it may have been a mere local custom on Chicago's West Side. Nevertheless, the impression persists

¹Rev. Thomas F. Casey, Pastoral Manual for New Priests (Milwaukee: The Bruce Publishing Company, 1962).

that in those days, the priest was not merely alter Christus, he was GOD (and there is no irreverence intended here, to be sure!). The priestly voice thundered from the pulpit as from Tabor. Questioning his utterances on any topic was tantamount to heresy. He related how much the coal cost for the winter because he had a 'special collection for that item'; but to expect him to give a full 'financial report' was as scandalous as asking to listen in at the confessional.

By 1947, when I became pastor, the custom was changing. At least, some pastors were giving annual reports. In this locale, the majority were. Since I had the privileged onus of starting a new parish, I was bound by no immediate parochial traditions. It seemed best to give not merely an annual report, but other reports at various times as the occasion or need arose.¹

A professor in the College of Business Administration at the University of Notre Dame urges parish pastors and their superiors to make their parish reports more meaningful and informative in order to provide for better management and increased revenues. He summarizes as follows:

In conclusion, pastors should no longer shun disclosure. Large corporations have found that nothing is to be lost by revealing basic financial information to interested parties. In certain parishes only partial reports are given to parishioners. However, good, complete reports can be important promotional and managerial aids. Presented properly, they should interest parishioners in solving the financial problems of the church. Parish priests, perhaps unfortunately, have to be businessmen. As such they should realize that the financial report is an important tool. Prepared properly and analyzed carefully,

¹Rev. Raymond O'Connor, "A Pastor Reports to His People," Catholic Management Journal, Vol. 3, No. 5 (November, 1960), p. 20.



church reports can be useful in furthering Christian endeavors.¹

Some Bishops of the Roman Catholic Church are of the opinion that the secrecy surrounding the financial reporting is harmful to the advance and well being of the church.

Dr. Gary MacEoin, a syndicated columnist reported that, "A dozen Latin American bishops have told me that full disclosure of all church income and expenditures is urgently required to end the myth of great wealth and its selfish use. One such bishop already gets and publishes a professional audit."² The Most Rev. Harry A. Clinch, Auxiliary Bishop of Monterey - Fresno, California recently stated that, "The clergy have been inclined to sell Catholic laymen short by shielding the laity from the hard facts of parish and diocesan costs."³

In addition to the agitation from within the church for improved and better accounting and financial reporting, there is concern being shown by members of other faiths. Much of this interest stems from the emergence of increasing measures to provide government aid to Catholic Parochial

¹James L. Cullather, "Dress Up Your Financial Report!" Homiletic and Pastoral Review, Vol. 62, No. 10 (July, 1962), p. 876.

²Catholic Property Administration, Vol. 28, No. 2 (February, 1964), p. 6.

³"Pastor as Father Figure?" Catholic Property Administration, Vol. 27, No. 7 (July, 1963), p. 45.



School Systems. Dean M. Kelley, the Executive Director of the Department of Religious Liberty at the National Council of the Churches of Christ, stated his position firmly and irrevocably in a leading Catholic periodical.

If a plea of financial hardship is to be convincing it must be much more adequately documented than it has been thus far. The Roman Catholic Church is reputed to be one of the most extensive landholders in the United States--certainly its assets are foremost among religious bodies today. For it to be pleading penury on behalf of its schools is incongruous, if not ludicrous. The exact financial condition of the Roman Catholic Church is one of the better-kept secrets of our time. But if it is to come into the legislative arena seeking relief, it will have to document its need more clearly.

This is particularly true in respect to contributions from the membership of the Roman Catholic Church. Students of stewardship estimate that the average level of giving among laity of the Roman Catholic Church is significantly lower than among the Protestant laity, even allowing for the (diminishing) difference between the economic status of Protestants and Roman Catholics. It is hard for Protestants to see why they should pay taxes for the undergirding of Roman Catholic parochial schools when Roman Catholics are not exerting themselves to maintain their Church and its school at the level which Protestants have achieved in supporting their churches (and schools, where they exist). If the Roman Catholic Church wants to make its plea of hardship convincing, it must show that its members are pulling their weight proportionately with others in the community in supporting what their consciences require, before demanding that the whole community pitch in and help them. This has not yet been shown, and the burden of proof rests upon those seeking change.¹

¹Dean M. Kelley, "Protestant and Parochial Schools," The Commonweal, Vol. 79, No. 18 (January 31, 1964), p. 524.



Finally, an actual incident in a Midwestern Diocese illustrates the significance of proper accounting and financial reporting. In 1964 the Archdiocese of Cincinnati eliminated certain lower division classes in elementary schools and closed certain schools because of financial difficulties. A prominent periodical for Catholic administrators suggests that the problem could have been resolved. "In Cincinnati, according to sources that we have been in touch with, if the parents had known what the problems were, many of them feel that they would have contributed more and averted the crises necessitating the closing down of the schools. It can well be argued that the problems were made very clear in Cincinnati, for we know they were, but apparently not to the extent to incite the people to act."¹

The Layman's Role

The objectives of the financial reports for parishes should be: (1) to provide a financial history of the parish, (2) to provide the necessary financial data to aid the decision makers (the pastor or someone else) in solving their problems, (3) to present the actual financial performance of the parish in comparison to some pre-determined

¹"Catholic Parish and Institutional Construction--1964," loc. cit., p. 26.

plan, standard and/or norm, (4) to show the financial position of the parish as of a given date, and (5) to present to the Ordinary of the diocese an accounting of the stewardship. There may be other objectives; but if the five objectives, which have been stated, are achieved there can be little fault finding.

One of the very first steps which a parish must take in order to obtain a maximum benefit from accounting and financial reporting is to involve the laity to a greater extent in this area. The pastor has neither formal nor practical training in these matters. He can and should carry on the vocation for which he has been trained, namely the task of providing for the spiritual well being of the parishioners.

The proposal which would place the temporal responsibilities of the parish in the hands of the laity is not original with this study. "Administration of parish funds was cited by a noted editor here as one of the major responsibilities Roman Catholic laymen should be given as they assume a greater role in Church life. Speaking at the University of San Francisco on 'The Role of the Emerging Layman,' Philip Scharper, editor of Sheed and Ward of New York, Catholic book publishers, said: 'There is absolutely no reason why laymen should not be entrusted with the temporal affairs of the Church. There are no de-



grees of citizenship in the Kingdom, but only differences in roles."¹

Bishop John King Musso, Bishop of the Diocese of Steubenville, Ohio, who has written widely on the problems of the church today, foresees this proposal as a reality of tomorrow. The Bishop writes that:

Priests are not turned out to be experts in work that belongs to others. Management and finance must in time be left to lay experts working under the general supervision of the pastor and under the direct control of a central or diocesan board of temporal administration. This board would include expert lay professionals.²

There is, of course, another alternative to the employment of lay personnel in accounting and financial matters. John F. Mannion pointed this out before a group of religious administrators.

When you entered religion you were given many graces, but I am sure the Holy Spirit did not confer on you the degree of certified public accountant, nor one of doctor of laws, nor that of insurance counsel. Neither did you receive the title of investment counsel or real estate expert. I mention this because so often a Religious is assigned to a job for which he or she has had insufficient training with the result that something suffers and not infrequently the person involved. Consequently, if someone is to assume responsibilities, please be sure

¹"Handling of Parish Funds Seen as Part of Lay Role," The Catholic Messenger, Vol. 82, No. 19 (March 26, 1964), p. 6.

²Bishop John King Musso, "Parish for Tomorrow," Ave Maria, Vol. 99, No. 10 (March 7, 1964), p. 7.



that the person involved has adequate training. Look ahead and send your prospective candidates to the proper places for training. Remember that before a large corporation assigns a man to the job of treasurer, comptroller, or chief accountant he has been carefully trained and is selected only when he is ready for the job.¹

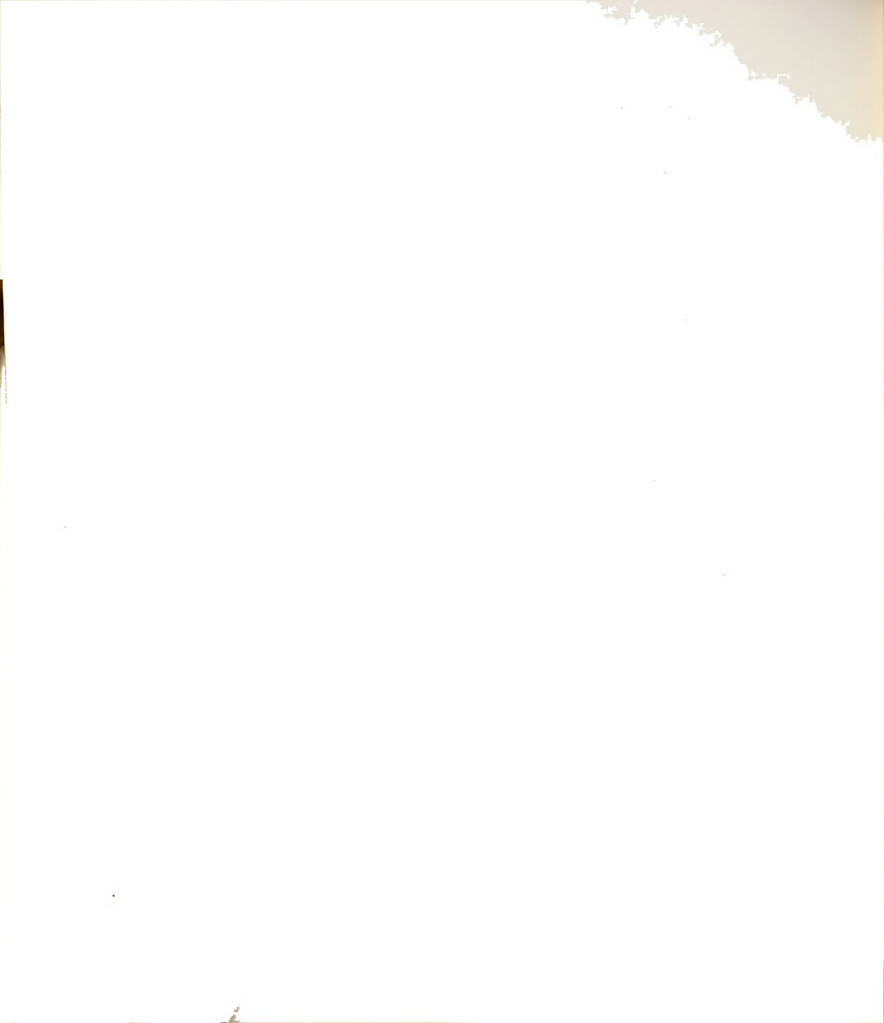
Although the proper training of Religious in these specialized disciplines would achieve the same end, it accelerates a crisis in another problem area. There is a shortage of Religious in every faith. Every priest is and will be needed to carry on his primary responsibility. "Even more alarming to religious leaders are indications the scarcity will soon get worse. Seminary enrollments in most faiths either are dropping or only holding steady while population and the number of churchgoers increase."²

The use of lay members in parish management particularly in the area of accounting and financial administration has been tried in at least one parish. St. Odilia Parish in suburban St. Paul, Minnesota has been compared in operation to that of a corporation in which the pastor is chairman of the board and the parishioners operate as division heads and stockholders.³ The pastor, Father Leo Kapphahn, O.S.C., summarizes the advantage of this type of

¹Mannion, loc. cit., p. 80.

²The Wall Street Journal. Midwest Edition, June 8, 1965.

³"Lay People Lend Their Talents," Catholic Property Administration, Vol. 27, No. 10 (October, 1963), p. 23.



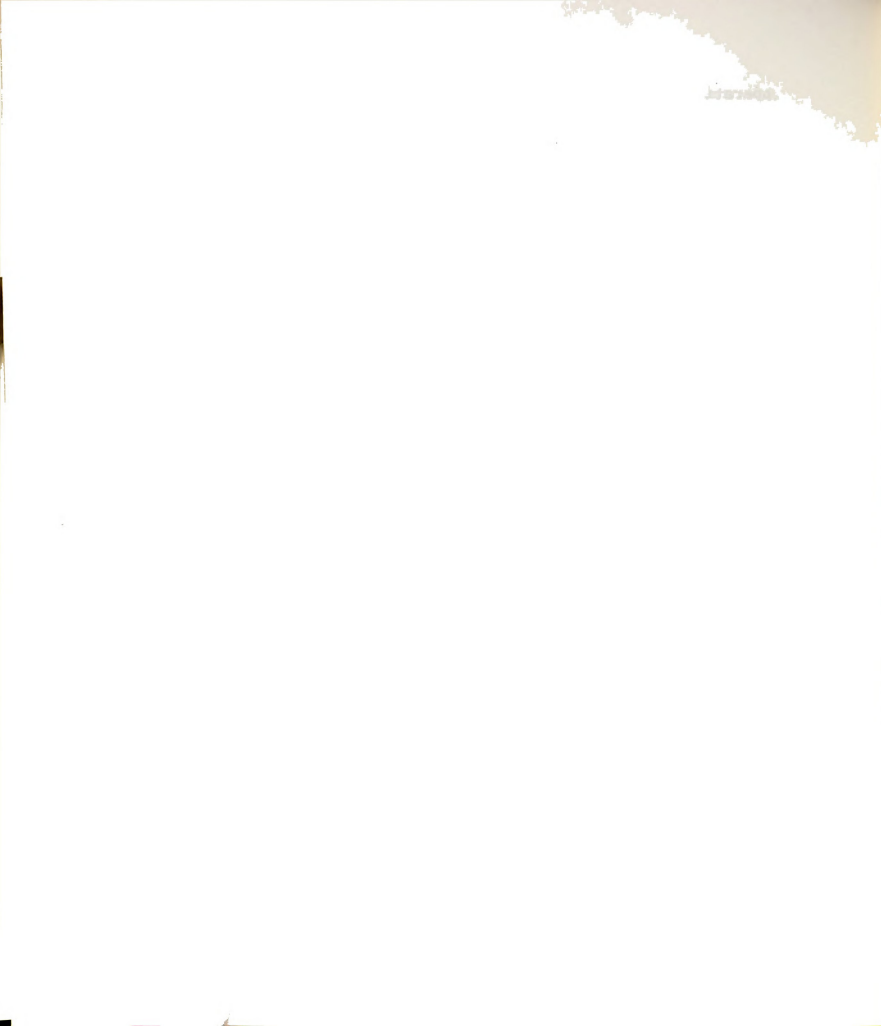
operation as follows:

'We can multiply our efficiency by using all the talents at our disposal,' he says. 'With the parishioners handling much of the administrative and financial responsibility, the priests can cover five times the area they ordinarily would. And these parishioners are doing jobs for which I was never trained.'

In addition to freeing the pastor and his assistant from burdensome business details, the parish participation program has resulted in an added bonus, a marked monetary savings.¹

An alternative to the proposal of employing voluntary, non-compensated lay personnel within each parish is still another proposal. The diocese might employ professional talent in the area of accounting and financial administration on a diocesan wide or regional basis. All receipts and requests for disbursements would be channeled by every parish to a Central Control and Reporting Area where the work of accounting and financial administration would be performed. This proposal offers five advantages: (1) it utilizes professional talent where professional skill is essential, (2) it frees the religious for their primary tasks, (3) it assures uniform and complete reporting, (4) it makes more effective use of the assets of each parish, and (5) it provides opportunities for timely analysis among parish operations. Its lone disadvantage is the additional out-of-pocket cost incurred in employing pro-

¹Ibid.



fessional talent. However, the additional cost is more than offset by the advantages indicated.

There is a practical hindrance to the implementation of this type of proposal. The sizes of the dioceses vary so greatly that a Central Control and Reporting Area may not be feasible in every case. As an example, the Archdiocese of Chicago has 447 parishes in an area of 1,411 square miles or one parish per every 3.1 square miles, whereas the Diocese of Marquette has 100 parishes in an area of 16,281 square miles or one parish per every 162.8 square miles. A central Control and Reporting Area could be implemented in the former diocese but probably not in the latter.

There is strong empirical evidence which indicates that any attempt to involve the Catholic layman in the accounting and financial administration of his parish will be opposed by many pastors. In May, 1962, 4,450 pastors in the Midwest and Far West were queried on a number of their administrative duties.¹ Thirty-six per cent of the questionnaires were returned. One of the items asked whether the pastor felt that qualified laymen in the parish should participate in the financial administration of

¹Arthur X. Deegan II, "A Study of Career and Administrative Patterns of Pastors," (Unpublished M.B.A. thesis, Graduate School, University of Detroit, 1963).

the parish. The replies were as follows:¹

5%	No Answer
40%	Yes
8%	Yes with Qualification
47%	No

If the results of this extensive sample are representative of the whole, it may be a good many years before the Catholic layman takes part in the proposal suggested by this study.

A Selected Model

A starting point in the establishment of a model for parish reporting would be the selection of a time period for the report. The study indicated that all dioceses are operating on a calendar year basis (January 1-December 31). Because the school operation is a substantial segment in the operations of most parishes and because the school operation does not follow a calendar year, a natural business year offers advantages. A natural business year from July 1-June 30 would be ideal. (1) It would present the financial data for a homogeneous period of operation. (2) It would provide for more meaningful analysis and comparison. (3) It would permit analysis and comparison at a time of year when overall activity is at its low point. The

¹Ibid., p. 80.



public school operations are reported on such a year in many school districts.

Once the question of the reporting period has been answered, the next step is the formulation of a plan for that period. The translation of this plan into dollars and cents is termed the budget. A prominent text book in accounting gives this definition. "A budget is a quantitative plan of action and an aid to coordination and control. Budgets basically are forecasted financial statements, formal expressions of managerial plans."¹

To those who are wise in the ways of accounting, the suggestion of a preparation of a budget might seem elementary and superfluous. The reaction is, "well obviously" or "well certainly." However, the study found that budgets are not being used by the parishes. Henke found in his study that Protestant churches are utilizing budgets. Catholic parishes are not.

The budget in a Catholic parish would (1) require advance thought with regard to next year, on the part of the pastor and his lay committee, (2) coordinate the contribution needed from the parishioners with the needs of the

¹Charles T. Horngren, Cost Accounting: A Managerial Emphasis (Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1962), p. 165.



parish, and (3) provide a norm or a standard against which the actual performance of the parish could be measured. The disadvantage is the time and effort necessary to formalize the plan of action.

There is some empirical evidence which supports the use of budgets at Roman Catholic institutions. Brother Leo Ryan conducted a survey of the business practices of 100 central Catholic high schools for the 1955-56 period. Two of his conclusions with respect to the use of budgets were: (1) schools with budgets charge less tuition, and (2) schools with budgets are less likely to incur deficits.¹

A necessary prerequisite for a budget and proper financial reporting is the financial statement format. For parish reporting purposes, there should be a statement of operations and a statement of financial position. The statement models appear in Illustration 9.

The statement of operations is divided into three segments: (1) church operations, (2) school operations, and (3) non-parish benevolences. These are the three major functions which comprise a total parish operation. The financial reports analyzed in our study comingled all three functions as one. The cost of being involved in three distinct areas of operation is never indicated. As a result

¹Bro. Leo V. Ryan, C.S.V., "Should a School Bother with a Budget?" Catholic Management Journal, Vol. 1, No. 2 (Spring, 1958).

ILLUSTRATION 9

MODEL ANNUAL PARISH FINANCIAL REPORT

Church Operations
For the Year Ending June 30, 19__

	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>Revenues-Regular</u>		
Sunday and Holyday Collections	\$ xx	\$ xx
Other (incl. Devotions, Votive Stands, Pamphlets, etc.)	<u>xx</u>	<u>xx</u>
	<u>\$ xx</u>	<u>\$ xx</u>
<u>Revenues-Other</u>		
Donations and Bequests	\$ xx	\$ xx
Parish Entertainment Affairs (net)	xx	xx
Interest and Dividends	xx	xx
Other	<u>xx</u>	<u>xx</u>
	<u>\$ xx</u>	<u>\$ xx</u>
Total Revenues	<u>\$xxx</u>	<u>\$xxx</u>
<u>Expenditures</u>		
Salaries--Regular Clergy	\$ xx	\$ xx
Salaries--Visiting Clergy	xx	xx
Salaries--Organist and Choir	xx	xx
Salaries--Janitor, Housekeeper, Clerical	xx	xx
Maintenance & Repair	xx	xx
Supplies--Church	xx	xx
Supplies--Janitor	xx	xx
Supplies--Rectory	xx	(xx)
Heat, Light, Water, Telephone	xx	xx
Insurance	xx	xx
Taxes	xx	xx
Miscellaneous	<u>xx</u>	<u>xx</u>
Total Expenditures	<u>\$xxx</u>	<u>\$xxx</u>
Net Income from Church Operations	<u>\$xxx</u>	<u>\$xxx</u>



ILLUSTRATION 9--Continued

School Operations
For the Year Ending June 30, 19__

	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>Revenues</u>		
Tuition--Elementary	\$ xx	\$ xx
Tuition--Secondary	xx	xx
Other (detail major items)	<u>xx</u>	<u>(xx)</u>
	<u>\$xxx</u>	<u>\$xxx</u>
<u>Expenditures</u>		
Salaries--Religious Teachers	\$ xx	\$ xx
Salaries--Lay Teachers	xx	xx
Salaries--Janitor	xx	xx
Supplies and Books	xx	xx
Maintenance and Repairs	xx	xx
Heat, Light, Water, Telephone	xx	(xx)
Insurance	xx	xx
Taxes	xx	xx
Miscellaneous	<u>xx</u>	<u>xx</u>
	<u>\$xxx</u>	<u>\$xxx</u>
Net Deficit from School Operations	<u>\$xxx</u>	<u>\$xxx</u>

ILLUSTRATION 9--Continued

Non-Parish Benevolences
For the Year Ending June 30, 19__

	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>Revenues</u>		
Special Collections	\$ xx	\$ xx
Missions	xx	xx
Other	<u>xx</u>	<u>xx</u>
	<u>\$ xx</u>	<u>\$ xx</u>
<u>Expenditures</u>		
Holy Land	\$ xx	\$ xx
Bishops' Relief Fund	xx	xx
Catholic University	xx	xx
Propagation of the Faith	xx	(xx)
Peter's Pence	xx	xx
Diocesan Quota	xx	xx
Diocesan Fund Drive	xx	xx
Indian and Negro Missions	<u>xx</u>	<u>(xx)</u>
	<u>\$ xx</u>	<u>\$ xx</u>
Net Deficit from Non-Parish Benevolences	<u>\$ xx</u>	<u>\$ xx</u>



ILLUSTRATION 9--ContinuedOperating Statement--Summary
For the Year Ending June 30, 19__

	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>Revenues</u>		
Church Operations	\$ xx	\$ xx
School Operations	xx	xx
Non-Parish Benevolences	<u>xx</u>	<u>xx</u>
Total Revenues	<u>\$xxx</u>	<u>\$xxx</u>
<u>Expenditures</u>		
Church Operations	\$ xx	\$ xx
School Operations	xx	xx
Non-Parish Benevolences	<u>xx</u>	<u>xx</u>
	<u>\$xxx</u>	<u>\$xxx</u>
Net Income (Loss) of the Parish	<u>\$xxx</u>	<u>\$xxx</u>

ILLUSTRATION 9--ContinuedStatement of Financial Position
June 30, 19__Operating FundAssets

Cash on Hand and in Bank	\$ xxx
Deposits with Diocese	xxx
Investments	xxx
Accounts Receivable	<u>xxx</u>
	<u>\$ xxx</u>

Liabilities and Surplus

Accounts Payable	\$ xxx
Taxes Payable	xx
Surplus	
Balance at June 30, 19__	\$ xxx
Add--Net Income from Church Operations	xx
Less--Net Deficit from School Operations	(xx)
--Net Deficit from Non-Parish Benevolences	<u>(xx)</u> <u>xxx</u>
	<u>\$ xxx</u>

ILLUSTRATION 9--Continued

Statement of Financial Position
June 30, 19__

Plant Fund			
<u>Assets</u>			
Cash on Hand and in Bank			\$ xx
Depreciation Fund			xx
Land, at cost			xx
Buildings and Contents, at cost			
	<u>Building</u>	<u>Contents</u>	
Church	\$ xxx	\$ xx	
Rectory	xxx	xx	
School	xxx	xx	
Convent	<u>xxx</u>	<u>xx</u>	
	<u>\$ xxx</u>	<u>\$xxx</u>	xxx
			<u>\$ xxx</u>
<u>Liabilities and Investment in Plant</u>			
Loans Payable to Diocese			\$ xx
Notes Payable to Banks			xx
Investment in Plant			
Expended		\$ xx	
Unexpended		<u>xx</u>	<u>xx</u>
			<u>\$ xxx</u>



there is frequent misunderstanding and confusion. For example, many parishioners are not aware of the commitment made to extra-parish charities both domestic and foreign. "Many Catholics are under the misapprehension that tuition covers all the expenses, whereas in most cases, it doesn't even cover lay teachers' salaries."¹

In order to present parish operations on a functional basis, the question of common costs must be resolved. Within each parish there may be certain costs which are common to more than one function. For example, the janitor's time and supplies may apply to both church and school operations. The cost of certain utilities may not be billed on separate meters. In each case an estimate which produces equitable costing can be made. Janitor's time may be allocated to functions on an estimated time basis. Cost of utilities may be allocated on an area occupied basis. The basis of allocation should be simple yet reflective of the benefits received by each function.

A sound reporting requirement would be that all revenues and all expenditures of the parish be factually reported. In some dioceses the Christmas and Easter Collections are used to supplement the pastor's salary. The study discovered that the amounts collected do not appear

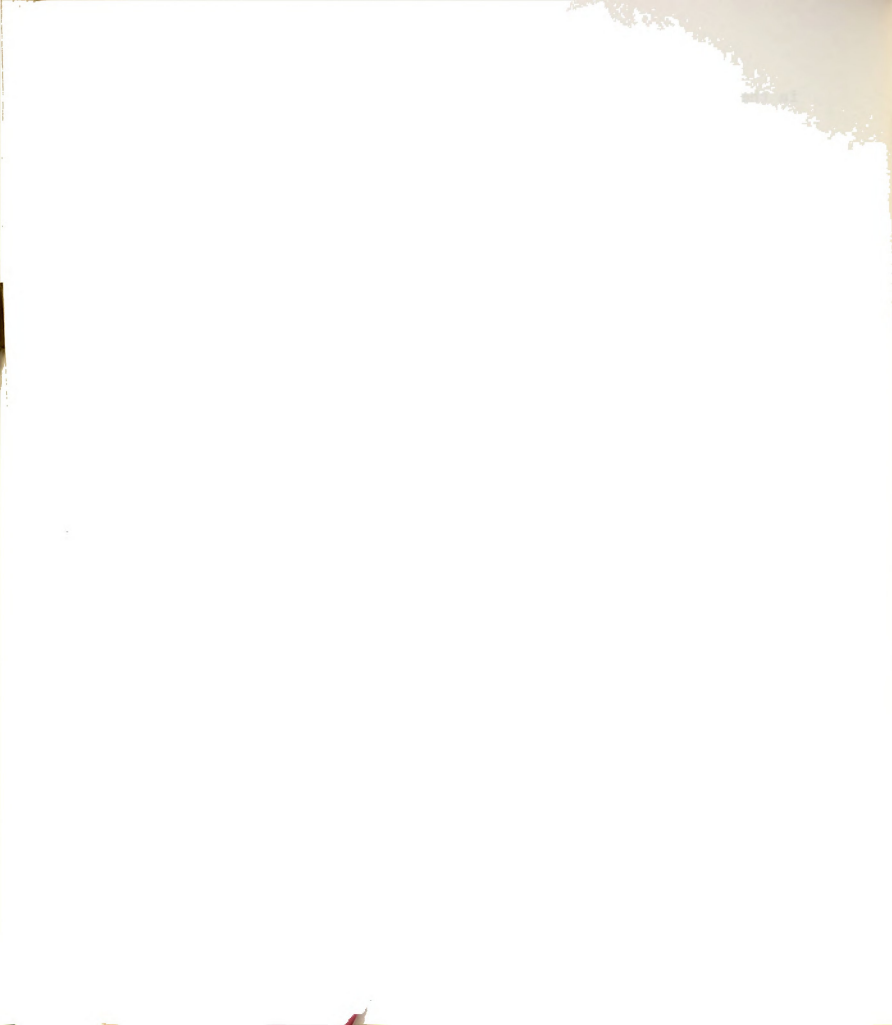
¹Hunt, loc. cit.



in the financial statement as a revenue item nor do they appear as an expenditure for salary costs. The pastor's total salary is frequently reported as the nominal amount which he is paid monthly. In the dioceses studied the pastor's salary ranged from \$100 to \$125 per month. The assistants' salary ranged from \$75 to \$100 per month. The study revealed another unreported revenue and expenditure item. Payments to the clergy in the form of Mass stipends and other stipends are not being reported in any diocese. These stipends represent offerings by parishioners to the clergy for the performance of religious services such as the offering of Mass, baptisms, marriages and funerals. They represent a form of compensation to the clergy.

Some members of the clergy give support to either (1) the inclusion of these items in the financial reports of the parishes or (2) the total abolishment of these practices. One priest states it in this way. "Under this plan all Mass stipends and stole fees would become a part of parish income. In other words, apart from gifts or income derived from other sources, a priest's salary would be a single flat sum, with no tips, stipends and fees, or other hidden income added."¹ The same priest gives the advantage

¹C. Walter Weiss, "The Priest's Salary," Homiletic and Pastoral Review, Vol. 65, No. 2 (November, 1964), p. 134.



of this approach over the existing practices. "It best of all would help avoid the deceit now practiced by quoting as a salary only \$60 a month, while saying nothing about fees and stipends, nor even about the value of room and board, mail service, laundry, and maybe even a janitor to clean the car."¹ The financial reporting advantage is that "All parishioners would know what is being paid the priest."²

Brother Leo Ryan points out another area of partial reporting in parish operations. Auxiliary groups and societies frequently make bequests and donations which go unrecorded. "Mothers' Clubs buy library books; Fathers' Clubs remodel and renovate the plant for new classrooms; Parents' Clubs equip cafeteria, buy busses, purchase desks, lockers, teacher equipment, playground apparatus. . . . All these expenditures must be accounted for and related to other expenditures to ascertain the real costs of the present system of parish elementary and secondary education."³

The model presented in this study recommends the in-

¹Ibid.

²Ibid.

³Bro. Leo V. Ryan, C.S.V., "The Challenge of School Costs," Catholic Property Administration, Vol. 26, No. 11 (November, 1962), p. 40.



clusion of a statement of financial position for both the operating fund and the plant fund. A statement of financial position is necessary (1) to achieve a total reporting of parish operations, (2) to satisfy the demands of other groups such as banks, financial institutions etc., and (3) to communicate to the parishioners a sense of achievement and strength. Our study revealed that only one of the seven dioceses required a balance sheet of its parishes. McCleary's study in 1948 showed that only nineteen of the fifty dioceses required a balance sheet of parishes.

Although the bankers dealing with the dioceses in our study have not been requiring a statement of financial position, bankers in the literature point out the necessity of such a statement. One Senior Vice President of a prominent bank has set down these rules for parishes as prerequisites on any loan applications. "First of all, a balance sheet and income statement, preferably audited, are necessary requirements. Also be prepared to explain in some detail the circumstances necessitating the need for funds and how the loan is expected to be paid."¹ A prominent underwriting firm for religious bonds also indicates a need for this information. "While religious bonds are exempt from registration with the Securities and Exchange Commission, such underwriters as Ziegler prepare

¹Mannion, loc. cit., p. 102.



a complete prospectus for each one. This document normally carries the latest balance sheet, as well as an audited statement showing the issuer's excess of income over outgo for the preceding five years."¹

A professional accountant in defining the financial reporting needs of a church has stated that, "The yearly statement should include a balance sheet of assets, liabilities and contributed capital."² A partner of an international firm of certified public accountants urges the inclusion of a balance sheet as an integral part of total church reporting.³

The model statement of financial position follows the recommendation made by Burkhardt and distinguishes between an operating fund and a plant fund for the same reasons that Burkhardt did.⁴ There are some variations from Burkhardt's format within each fund. However, these are variations of style and not of substance.

¹"Faith and Finance," Barron's (January 25, 1960), pp. 5-6.

²A. S. Levitt, "An Approach to Church Accounting," The Canadian Chartered Accountant, Vol. 68, No. 5 (May, 1956), p. 404.

³Malcolm M. Devore, "Church Accounting and Internal Controls," Selected Papers - 1959 - Haskins & Sells, p. 224.

⁴Burkhardt, op. cit., p. 170.

Development of the Budget

The starting point in the preparation of the budget would be the determination of the expenditure items. The major dollar amount of expenditure would be readily determined. The largest item in both the church and school budgets is the expenditure for salaries, which can be forecast with a high degree of accuracy. The remaining items might be determined from previous years' experience. The non-parish benevolences would be based in part on quotas established by the Chancery and in part on voluntary offerings of the parish.

After the expenditures have been forecasted, the next step is the determination of revenues necessary to cover the needs. A starting point might be the determination of school tuition. What percentage of the school operating costs should be borne by tuition? The answer may be something less than 100%. Then the remaining school deficit, church operating expenditures and non-parish benevolences must be satisfied primarily through an appropriation of a portion of the Sunday and Holyday Collections.

One way of making certain that there will be sufficient revenues to cover all estimated expenditures is to apportion the church's estimated expenditures among the parishioners. Certain parishes in the Church of England have developed a "Share Scheme."



The Share Scheme draws a distinction between 'dues' and 'alms'; such a distinction is fully supported by scriptural, liturgical and historical authority. Dues represent payments for services rendered and they cover for instance the upkeep of a church in which to worship and the support of the parish priest. They have also been defined as 'payments required of a Church member to defray expenditure undertaken by a body on which he is represented.' Almsgiving, on the other hand, has been defined as 'the voluntary offering of one's substance for the work of the church at home and overseas, and towards the relief of those in any way afflicted in mind, body or estate.'¹

Each family subscribes to a share or shares of the planned expenditures. Each member's contribution has a relation to the expenses of his church.

Another approach to budgeting the major revenue item is the use of the tithing plan. This plan is discussed more fully in the succeeding chapter.

Five Year Summary

The three part statement of operations and the statement of financial position do an excellent job of presenting the financial report for the current year. What is also needed is a presentation of financial trends and movements. In what direction has the parish been moving? Is the trend favorable? Is it unfavorable? Should it be encouraged and continued? Should it be corrected and reversed?

A five year summary of the financial highlights of

¹Slade, op. cit., pp. 80-81.

the parish operations answers the questions presented. A model of the type of financial information and financial ratios to be included in the summary is presented in Illustration 10.

The church contribution per family can be related to the church expenditure per family. The five year summary will reveal whether contributions are keeping pace with expenditures. The school tuition per child can be related to the school expenditure per child. The tuition will represent a fraction of the expenditure. Parents can see what portion of the school expenditure is being paid by their tuition assessment and what portion is being paid by the remainder of the parish. The long-term debt per family illustrates what needs to be contributed in addition to providing for current operations.

Frequency of Reports

Our study revealed that parish reports to the Chancery Office and to the parishioners were made on an annual basis. The reports were timely in that all had to be submitted within two to four weeks after the close of the year. There is the question whether reports should be issued more than once per year.

With the introduction of a Central Control and Reporting Area, which would employ mechanical or electronic accounting equipment, reports could easily be issued more

ILLUSTRATION 10

MODEL FIVE YEAR PARISH SUMMARY

Financial Highlights
For the Five Years Ending 19__

1 2 3 4 5

Financial information:

Revenues--Church Operations
Revenues--School Operations
Revenues--Non-Parish
 Benevolences
Expenditures--Church Operations
Expenditures--School Operations
Expenditures--Non-Parish
 Benevolences
Net Income (Loss) of the Parish
Long-term Debt Outstanding
New Construction

Parish statistics:

Number of families
Number of school children

Financial ratios:

Church contribution per family
Church expenditure per family
School tuition per child
School expenditure per child
Long-term debt per family

often. With the employment of budgets, it would be advisable to notify parishioners either quarterly or at least semi-annually of the actual financial progress in comparison with the planned progress which the parishioners helped develop. This would mean financial statements would be presented, at least, as of December 31 (mid-year) and June 30 (year end).

Managerial Applications

The preceding analyses and recommendations at the parish level of organization were oriented toward the problems of financial accounting and reporting. The parish is a fruitful area for managerial accounting applications. Because this study advocates a Central Control and Reporting Area for parishes at the diocesan level, the managerial applications are considered at that point. The succeeding chapter will discuss selected applications at the diocesan level.

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CHAPTER IV

SELECTED APPLICATIONS AT THE DIOCESAN LEVEL

A Chancery Office represents headquarters to the parishes of the diocese. It issues regulations and guidelines concerning accounting and financial reporting matters. It serves as the recipient of parish financial reports. It analyzes, appraises, recommends and orders. A Chancery Office which is unaware of the usefulness of accounting and financial reporting as a tool in evaluation and decision making can impede the progress of a diocese. A Chancery Office which employs some of the sophisticated techniques of accounting and financial reporting can make a genuine contribution to the financial well being of the parishes in its jurisdiction. This chapter attempts to indicate some of the avenues which might be traveled at the diocesan level.

Measure of Revenue

The temporal needs of the Roman Catholic Church are myriad. Funds are needed for hospitals, for schools, for orphanages, for new parishes, for old age homes and many more worthy causes. It has always been true that the demand for funds exceeds the supply. The late Cardinal



Meyer, Archbishop of Chicago, expressed it in this way, "The Archdiocese of Chicago does not have, and probably never will have, sufficient funds to finance all of the needs of all of the parishes. . . ." ¹

Since the scarcity of funds is a fact of life, the maximization of revenues is essential. The major source of revenues for parishes is the Sunday and Holyday Collection. In the past the amount of contribution was left almost solely to the conscience of the parishioners. The form of collection was generally made through loose change offerings in the collection basket. Neither the donors nor the amounts of donation were known. Recently there have been changes. Our study showed that most parishes are using an envelope system. Each parishioner is given a packet of envelopes with an identifying number. Contributions are to be made in the envelope. Contributions are identified with the contributor. A quarterly statement is mailed to each parishioner showing his contributions made for the preceding quarter. The loose collection is now minimal.

Another change has been the introduction of the tithing plan in many parishes. The tithing plan attempts to develop a standard or guide to giving. It provides a

¹Letter from Albert Cardinal Meyer addressed to the clergy dated January 13, 1964.

way by which one can measure the degree of generosity and sacrifice. Our study found that the tithing plan was growing in popularity in every diocese which was visited. The specifics of the plan varied. Basically, tithing means giving 10% of gross income to charities and religious institutions. It is recommended, in some parishes, that 5% be given to charity and 5% to the church. In other parishes recommendations varying from 2%-5% of gross income were made as guides to church giving.

The establishment of a tithing plan has provided a standard or norm for the individual parishioner. Every wage earner in the parish can now compare his actual contribution against the norm prescribed for him. What needs to be done now is to extend this standard to the contribution of the parish as a whole.

What are the total gross earnings of the parish? What is the percentage tithing plan in effect? What are the actual contributions by the parishioners? The answer to these questions would provide valuable information at both the parish and diocesan levels.

One priest has recognized the need for knowing what he terms the G.P.I.--Gross Parish Income. He states his view in this way.

Does one pastor in a hundred have any concept of the annual income of his parishioners? Can a chancery estimate within five million dollars the gross annual income of Catholics within its diocese?



Because many pastors have no way of estimating their potential parish income, they settle for 'nickel and dime' fund-raising schemes that net meager returns and tend to irritate parishioners and amuse non-Catholics. If we would better estimate our gross parish income, we might gain millions of dollars in benefactions, thousands of children would not be denied a Catholic education, and an increasing number of our affluent and educated Catholics would make more than a token contribution to the financial support and spiritual life of their parishes. A recent University of Michigan survey revealed that while Americans give more than \$17 billion annually to churches, charity and needy individuals, only two Catholics in three donate even a dollar a week to all church appeals. Yes, as the Most Rev. Maurice Schexnayder, Bishop of Lafayette, La., wrote last year: 'Few Catholics support the church according to their means.'¹

At the present time Chancery Offices judge parish operations by the absolute level of parish income. But it is known that economic levels vary among parishes. Therefore, absolute parish income figures are not meaningful in measuring parish performance. What is needed is a P.S.I.--a Parish Support Index. An example of this tool of analyses is illustrated below for Parish H--a high economic income group and for Parish L--a low economic income group.

	<u>Parish H</u>	<u>Parish L</u>
(A) Gross Parish Income	\$3.8 million	\$1.6 million
(B) Tithing percentage in use	<u>5%</u>	<u>5%</u>
(C) Standard Parish Contribution	<u>\$190,000</u>	<u>\$ 80,000</u>
(D) Actual Parish Contribution	<u>\$120,000</u>	<u>\$ 60,000</u>
(E) Parish Support Index	<u>0.63</u>	<u>0.75</u>
(D) ./ (C)		

¹Paul Brindel, "What Is Your G.P.I.?" Catholic Management Journal, Vol. 5, No. 1 (February, 1962), p. 3.

Under existing practices Parish H is judged a success in comparison to Parish L. Their parish income is twice that of the other parish. The Use of a Parish Support Index reveals the true comparison. Parish H has a Parish Support Index of 0.63, whereas Parish L has an index of 0.75. Of course any P.S.I. before 1.00 indicates that the parish is not meeting the standard which has been set before it.

The Chancery Office is now able to make comparisons among all parishes in the dioceses. Pastors are made aware of their performance. Uniform standards are established for all. The P.S.I. will identify those pastors whose methods are extremely successful in raising contributions by their parishioners. The methods employed at these parishes will prove beneficial to other pastors who have not fared as well.

There remains the practical problem of determining gross parish income. It is necessary that the method used be uniform throughout a diocese. Several methods appear acceptable in giving a reasonable estimate. (1) Ask each wage earner in the parish to submit his average gross income for the past three years. This information could be obtained at the time of the parish census. Although there may be some reluctance on the part of some to give out this information, if anonymity is assured, the information should



be forthcoming. (2) On the basis of real estate values in the parish, approximate the income of the parish. (3) On the basis of information obtained in the latest government census approximate the income of the parish. There may be other methods available. The first method is preferred to the others mentioned.

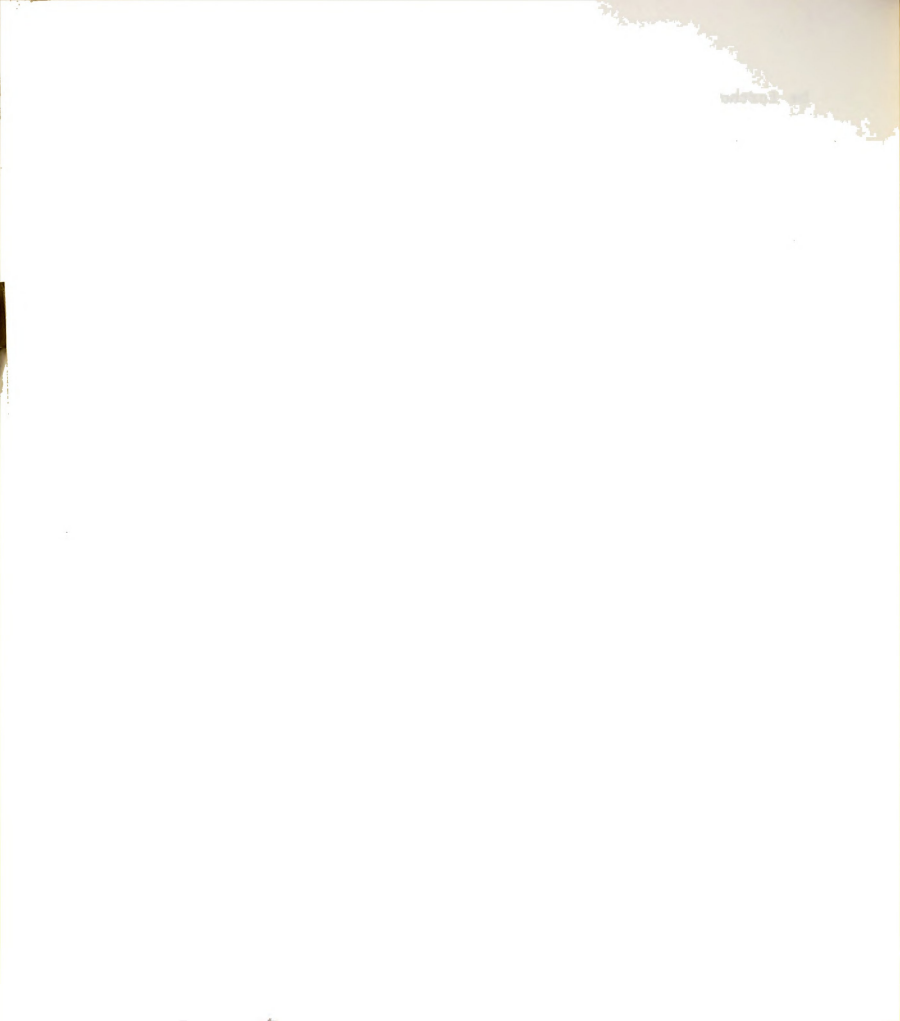
Standards for Expenses

Although a basis for measuring parish income against a pre-determined norm has been established, there remains another problem. What amount of expense is normal for a parish operation? When is an item of expense excessive? When is an expenditure reasonable?

The study revealed that the present method used in answering these questions is the same in each diocese. The bishop scans the financial reports and if any item is unreasonable, in his judgment, an explanation is requested from the pastor. The judgeliike method leaves too much to chance and needs to be refined. The Archdiocese of Chicago is presently considering action in the development of expense standards for parishes.

The present system of unregulated or loosely regulated expenses, at best, has some serious shortcomings. An English priest summarizes the present system thus.

The parish priest is accountable only to the bishop and I wonder how many bishops have time to



analyze and scrutinize parish accounts with the care they deserve. A trained accountant might deduce some interesting data from a careful analysis. Each parish stands on its own, with manifest inequality between parish and parish. The income of the parish is devoted higgledy-piggledy to the various needs of the parish, because expenditure on staff, house-keeping, church, school and parish hall comes out of the common pool, unregulated and unsystematized.¹

Father Innes points up a principal defect under this type of operation.

Personal expenditure is inextricably muddled up with parochial expenditure. A conscienceless priest could, if he liked, keep a magnificent household and a thoroughly mean church and only a bishop's scrutiny at visitation would deter him. This is an extreme case, but there are many more subtle means of feathering the nest at the expense of the just requirements of the parish. There is really no control of expenditure and the laity are restive. They do not feel that this is right. It affects their willingness to cooperate.²

Just where to begin in the development of expense standards is a difficult matter. Past historical data and industry comparisons have proved to be useful starting points for business. This starting point can be similarly applied to the measurement of operations of religious institutions. The Central Control and Reporting Area could begin by subdividing parishes into like categories and classes according to size as follows:

¹M. Benet Innes, O.S.B., "Parochial and Diocesan Finance," The Clergy Review, Vol. 47, No. 4 (April, 1962), p. 202.

²Ibid., pp. 202-203.



Class I	under 500 families
Class II	500-1000 families
Class III	1000-1500 families
Class IV	1500-2000 families

After bringing together all parishes of a comparable class, the individual functions for each parish can be grouped and compared. Church operations, school operations and non-parish benevolences can be analyzed. Such computations as follow may prove helpful in the analysis.

1. Church Expenditure per Family
2. Church Expenditure per Person
3. Elementary School Expenditure per Pupil
4. Secondary School Expenditure per Pupil
5. Elementary School Expenditure per Classroom
6. Secondary School Expenditure per Classroom
7. Percentage of Teacher Salaries to Total School Expenditures

The high and low points of expenditures within a particular class size can be reconciled. Using the reconciliation as a guide standards can be developed. Although a number of parishes are of the same class size, there may be real differences in the operations which will have to be accounted for in the establishment of standards. For example, one parish may operate a kindergarten class while another does not. One parish may have a substantial commitment to participation in athletic programs whereas another does not. One parish may conduct week day evening novena services while another does not. These differences



do not preclude a comparison of operating costs by parishes. These differences do require that competent personnel establish the criteria for analysis and perform the task of study.

The beginnings of an attempt to establish standards for expenditures will be marked with crude and at times meaningless comparisons. However, through trial and error and a vigilant search for norms, standards can be established. The development of standards will promote the financial well being of the diocese.

The Necessity of Audits?

The study revealed that each diocese required that an approval by the church committee accompany the annual parish financial report which is submitted to the chancery. Some dioceses used a certification paragraph attached to the financial report. The certification indicates that the committee members have examined the financial data in the report and found it in agreement with the books of account. In addition, some certification paragraphs state that the financial report presents the financial condition of the parish.

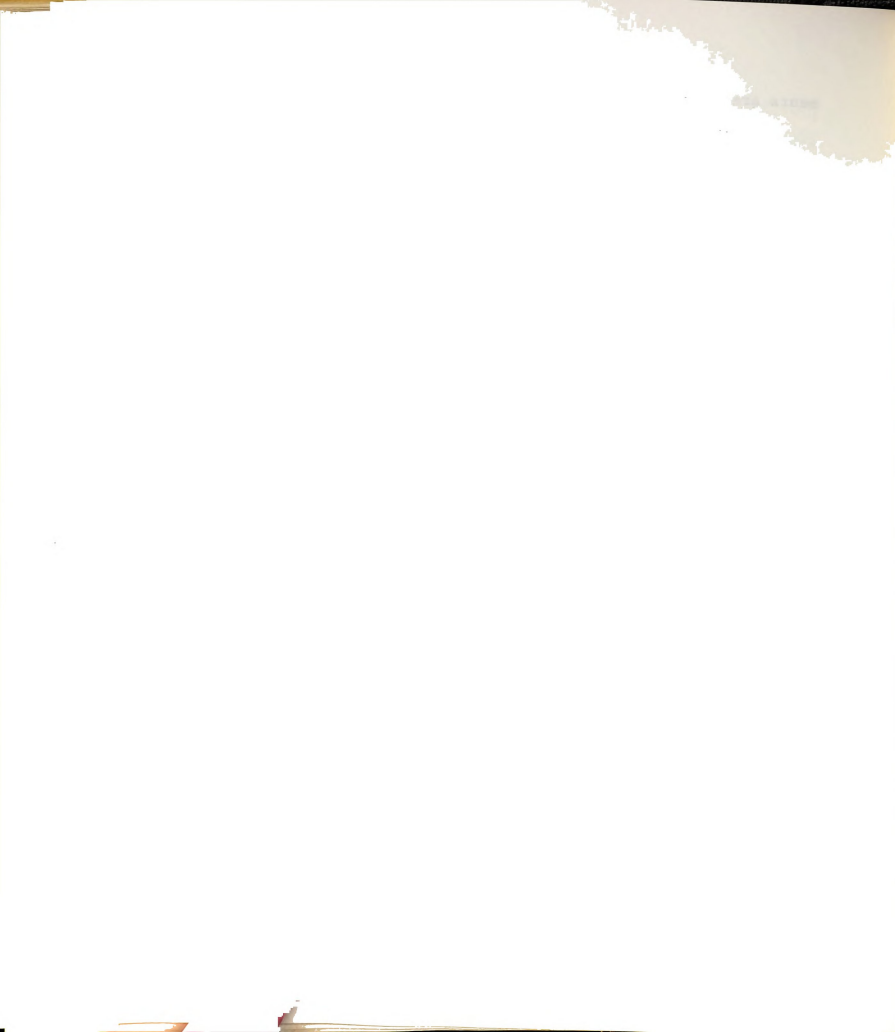
It can be deduced from the inclusion of certification paragraphs and church committee approvals that the dioceses must have some form of statement audit in mind. On the surface it appears that the data in the financial state-

ments are attested to by an independent church committee.

The study revealed that generally the church committee appointments are made by the bishop from a list submitted to him by the pastor. There is usually a maximum time period any member can serve. On the surface it appears that independence of selection is preserved. However, interviews with responsible officials throughout the various dioceses revealed an opposite side.

All of the diocesan officials interviewed held the opinion that the certification paragraphs and committee approvals were of little value. No diocese prescribes the levels of competence which must be possessed by members of the committee. There is no certainty that an accountant, auditor or even a business man will be a member of the committee. The dominant opinion of the diocesan officials was that most committee members would sign whatever information was placed before them without question. One interviewee said that many would sign a blank report. As a result the statements are the representations of that person alone who prepares the report. In most parishes the pastor does his own accounting.

When the interviewees were queried as to why this requirement of statement approval is continued if it fails to accomplish its purpose, they replied that practices once established are difficult to change. This answer is sup-

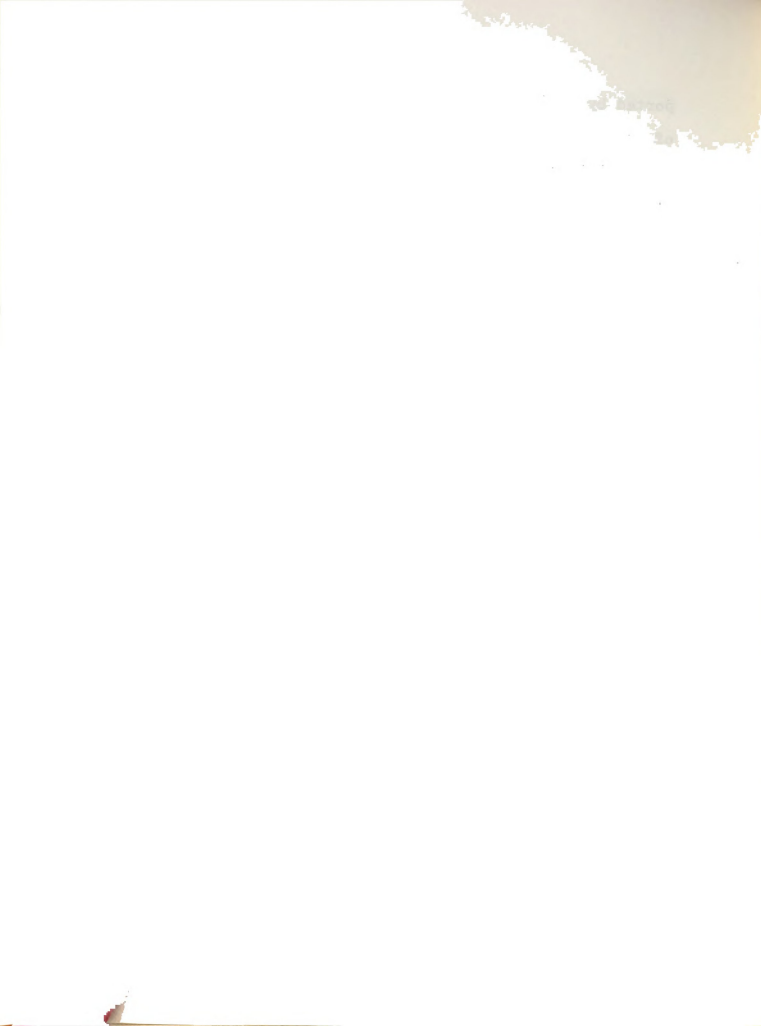


ported by the very gradual pace for change in other areas of accounting and financial reporting.

If the church committee audits are not effective, are outside audits performed? In other words, audits by church committees are not essential if independent public accountants are performing the task. The study revealed that only three dioceses are employing the services of independent public accountants. The Diocese of Marquette and the Diocese of Grand Rapids are receiving financial statements prepared by independent public accountants. However, the statements are not certified; they are prepared without audit. The Archdiocese of Chicago has been receiving certified statements for a number of years. However, the certification is restricted to the operations of the Chancery Office only. The parishes are not audited.

The study revealed that the work performed in the Chancery Office on annual parish financial reports is restricted to (1) a review of the clerical accuracy of the reports and (2) an overall review of the fairness and reasonableness of the items reported. At the termination of these two steps, an approved copy of the parish report is returned to the pastor. In effect there is no audit even at this point.

Many may hold the opinion that audits have no place in religious institutions. Audits may be judged acceptable



for businesses because of (1) the owner-management separation, (2) regulatory requirements, or (3) tradition. But, these people say, audits of religious institutions are in bad taste. Some say this because they do not understand the purpose of an audit. An audit lends credence to a set of financial statements. Its aim is not simply the detection of fraud and embezzlement, as commonly believed, but an attempt to judge the fairness of the financial presentation. Many honest errors resulting from the exercise of poor judgment or the lack of competence have been uncovered by auditors. Since most of the statements are prepared by individuals who have had little, if any, training in accounting from data recorded by individuals who lack the same necessary competence, it is even more imperative that an expert be asked to attest to the fairness of the financial statements presented.

Embezzlement is not outlawed at religious institutions. For as Slade points out, "Embezzlers of church funds do not often hit the headlines and it is certainly to be hoped that they are a very rare type. It has been said, however, that this would be hard to prove because there are so many opportunities for them to operate undetected."¹

Slade illustrates the existence of similar situations in the parishes of the Church of England.

¹Slade, op. cit., p. 153.

In many parishes too the audit consists merely of an unversed amateur spending an evening at the treasurer's house, having a look at the books and vouchers and then signing 'audited and correct.' The author knows of a case where the auditor (a layman) asked the treasurer (who happened to be a professional accountant) how he recommended he should set about the audit! Such situations are due to an inadequate concept of auditing.¹

Professor Emerson O. Henke, C.P.A., D.B.A., urges an annual audit for churches regardless of the level of competence of the individuals recording and preparing the financial data.

Regardless of how adequate the records are, or how capable the persons handling them may be, there is still no justification for the failure to have such an annual examination of the books by an auditor or audit committee. Generally the membership of a church will contain a sufficient number of accountants who can be prevailed upon to perform this task as a part of their Christian stewardship.²

Whereas Professor Henke proposes audits by either an outside auditor or an audit committee, Arthur L. Walker gives no such alternative.

In addition to the self-audit, the church officials should provide for an outside audit by competent and responsible authority. Many churches are truly 'big business' in terms of finances alone. But even the handling of nominal sums of cash suggests the desirability, if not the necessity, for a financial audit by certified public accountants.³

¹Ibid., p. 152.

²Emerson O. Henke, "Some Elements of Effective Church Controllership," Baylor Business Studies. Number 20, Waco, Texas (September, 1954), p. 20.

³Walker, op. cit., p. 120.

Robert Cashman lends support to Walker's suggestion that certified public accountants be employed as independent auditors. "Any organization which receives and spends the money of others is a public trust, and as such, both the officers and the contributors deserve the protection that can come only from a proper audit, preferably by a certified public accountant."¹

A. S. Levitt, a professional accountant, has advocated greater control by the church central authority in the conduct of church audits. "It may be, because inexperienced auditors are elected, that the central authorities should issue a directive recommending the type of audit procedures to be undertaken or, where necessary, churches should obtain the services of professional accountants."²

This study supports the view that audited financial statements are essential to fair representation of operating results of the Roman Catholic Church. There have been recent developments which accentuate the need for audits. (1) The number of publics interested in the financial and accounting reports has increased. State and federal legislature will have even a greater interest in the future. (2) There is some evidence that the secrecy

¹Cashman, op. cit., p. 100.

²Levitt, loc. cit., p. 406.



surrounding the accounting and financial reporting may be slowly disappearing. (3) The Catholic layman is growing more concerned about the operations of his church and is being asked to participate more actively in its functions.

There remains the problem of a practical recommendation to achieve this end. Certainly each chancery operation should be audited by certified public accountants. As the Lay Director of the Archdiocese of Chicago said when we expressed surprise at the fact that auditors were employed in the Archdiocese, "It just makes good business sense." An audit by outside auditors at this level of organization is practical, feasible and essential. This may not be true of an audit of each parish. The parishes are many and the cost of outside auditors may be prohibitive. A practical solution to this problem is available.

Each pastor would be asked to submit the names of at least two accountants preferably certified public accountants who are interested in performing a valuable service for the parish. The chancery would receive the names submitted and assign each individual to perform a parish audit. It is important that an auditor not be assigned to his own parish. It is also important that the audit program and the audit review be conducted by a certified public accountant. The problem of staffing this operation might be undertaken by a Catholic laymen's group in the area, such as the Catho-

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lic Accountants' Guild in Detroit.

If the number of competent personnel available is not sufficient to permit an annual audit of each parish, the parishes could be audited on a rotating basis as many branch offices of modern day corporations are audited. Consideration should be given to the feasibility of the independent public accountants performing one, two or several parish audits per year. If the recommendation of a centralized accounting system through a Central Control and Reporting Area is adopted, then, of course, the entire audit can be performed at the central office by certified public accountants.

Whether all or a portion of these suggestions for audit are adopted, the financial reporting situation would be improved over the existing system. More and more segments of our free economy are recognizing the need for audited financial statements. An organization the size of the Roman Catholic Church in the United States cannot be far behind.

Inter-Diocesan Communication

The study revealed an almost total lack of communication between the accounting and financial officials of one diocese and those of another diocese. There is no central meeting for this group. There is no national or regional association for their mutual interests. There is no pro-

essional journal or literature through which they can share their problems and views. One diocesan official commented that "It is a standard joke that the only time we see one another is either at a bishop's consecration or a bishop's funeral."

The only trace of inter-diocesan communication was initiated in St. Louis in October, 1962. The Rev. Paul F. Kaletta, director of the Annual Expansion Fund for the Archdiocese of St. Louis, received permission from his bishop to organize a meeting for all priests in the United States with similar responsibilities. Father Kaletta describes the purpose and accomplishment of the meeting.

The occasion for this unique gathering was the first seminar ever to be held on the growing problem of meeting the increased demands upon archdiocesan and diocesan finances.

Chancellors, vice-chancellors, vicars general and other chancery officials and representatives came . . . to seek out new ideas about solving financial problems through the use of an annual fund appeal and tithing.

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Throughout the two days of talks and discussion a primary theme became apparent: Education. It was evident that there is more interest in making certain that the laity understand why money is needed than in the amount of the gift itself.

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The response to this initial effort was such that all of us hope it will be repeated in coming years. We have agreed to make a continuing exchange



of information, printed materials and reports during the year.¹

This initial exchange of ideas was a step in the right direction. Its success was modest in this sense. Only thirty of the one hundred forty-eight dioceses in the United States were represented at the two-day meeting. This may have been due to indifference or to the somewhat narrow scope of the subject matter. However, communication on an inter-diocesan basis is what needs to be explored and expanded in a number of directions. Each of the interviewees in this study felt strongly in favor of the suggestion.

A lack of inter-diocesan communication costs each diocese. New innovations and ideas are not shared by others. Mistakes made in one diocese are repeated in another and another. There is practical evidence of this in our study. The new developments in the Archdiocese of Chicago with respect to self-insurance and maximum parish cash balances were not known in the other dioceses. More important the post-appraisal of these innovations was not known. The handbook on parish accounting for pastors, which was prepared by the Archdiocese of New York, was a

¹Rev. Paul F. Kaletta, "How to Finance Diocesan Growth," Catholic Property Administration, Vol. 27, No. 2 (February, 1963), p. 32.



surprise to officials of other dioceses when they were told about it.

An association of the diocesan accounting and financial officials is in order. The association could be organized along regional lines with perhaps an annual national exchange of ideas. The financial problems for almost every diocese will continue to mount in the future. Every available aid should be at hand to meet these problems. Another's experience, good or bad, can be of valuable assistance to all decision makers.

Cash Control

Cash, the most liquid of assets, is the largest single asset item on any parish balance sheet (excluding parish plant). Cash can be a constant worker for the good of the operation or it can be a laggard. Its effort is determined by its manager.

The study found that in most dioceses cash was not making the contribution it should. The Archdiocese of Chicago was the only diocese which prescribed and enforced a maximum cash balance for its parishes. This directive was not issued until May 1, 1964. The other dioceses do not prescribe any maximum cash balance for their parishes. As a result many parishes have excess cash which remains a non-earning asset in the checking account. Cash could become a working asset by either being deposited in an interest



bearing account or being used to reduce debt outstanding.

If the diocese were to adopt the Central Control and Reporting Area proposal discussed earlier, the problem of the non-earning cash of the parish is eliminated. All cash would be under a central control and could be made a working asset.

Assuming that the proposal for centralization is not adopted and that parishes continue to maintain their own bank accounts, is it possible for the chancery office to assure itself that excessive cash balances are not being maintained? The chancery office can issue guidelines for determining excess cash balances as is done by the Archdiocese of Chicago. The major criticism of a single guideline for a variety of parish operations is that what may be suitable for one may not be suitable for all. However, even this basic procedure would certainly put more cash to work.

Special School Studies

The area of school costs is a fertile one for diocesan review and analysis. School expenditures represent the major segment of all parish costs. "Most parish schools have adopted a nominal tuition charge at the elementary level, with a different tuition charge at the secondary level. Regardless of the amount of tuition which parents pay for the parish school, informal studies show that par-

ents tend to equate this payment with the cost of educating the child. Such payments represent a present cost to them, but rarely cover the cost of educating the child in the parish school."¹

The diocesan office will need to develop a common basis of accounting for school operations in order to make meaningful comparisons. The diocesan staff will then be in position to appraise the current expenditure for each school. The diocesan staff must attempt to answer such questions as the following suggested by the Committee on Public School Accounting of the American Institute of Certified Public Accountants,

How many classroom teachers are there? Is the ratio of pupils to teachers going down or going up? Has consideration been given to the employment of teachers' aides to relieve the professional staff of some of the administrative and routine burdens?

What are the relative pupil-teacher ratios at the elementary and secondary schools?

What are the ratios of (1) other instructional staff, and (2) all employees other than teachers, to the number of classroom teachers? Has the ratio changed materially in the last few years? What additions (or reductions), if any, are currently being made to the number of (a) teachers and (b) the non-teaching staff?

What is the average size of classes in the elementary schools and in the high schools? How many

¹Bro. Leo V. Ryan, "Reporting School Costs to the Parish," Catholic Property Administration, Vol. 27, No. 3 (March, 1963), p. 68.

classes are there in the high school with less than (say) 10 pupils?

Is there a formal salary schedule? What is the average amount of teachers' salaries included in the budget as compared with the preceding year? Are comparable figures for neighboring communities available?¹

The diocesan office may need to prepare and analyze data regarding the proposal of centralized school financing which has received strong support from a variety of sources. The Most Rev. Clarence E. Elwell, Auxiliary Bishop of the Diocese of Cleveland urged the establishment of such a program before a meeting of the National Catholic Education Association, a voluntary organization giving professional assistance to Catholic high schools. "He suggested that all parishes in a diocese contribute a percentage of their income to a central school fund that would be distributed to the schools as needed. At present, each parish supports its own elementary school."²

Rev. C. Albert Koob, the Associate Secretary, Secondary School Department of the National Catholic Education Association, was asked how the growing financial pressures on parishes will be relieved.

Outside assistance -- through public funds. And also, perhaps, by an across-the-board head tax on

¹Public School Costs. American Institute of Certified Public Accountants, 1963, pp. 18-19.

²The Detroit News, April 22, 1965.



all Catholics to support education programs. In other words instead of letting just the tuition carry the school program, you ask all Catholics to contribute toward the support of schools.¹

If such proposals are contemplated, complete accounting data must be available to aid the decision makers and to convince the pastors, the parents and other parishioners of the necessity of such action. The preparation and analysis cannot be left to each individual parish. The diocesan office is the logical seat for this work.

Brother Leo V. Ryan has listed fifteen problem areas in Catholic school finance, which will have to be resolved. All fifteen require considerable cost analysis in order to reach an intelligent solution. A cost analysis of this magnitude would have to be conducted through a centralized operation. Brother Ryan suggests the following as possibilities for analysis, acceptance, agreement and action.²

1. Cost of Education Index
2. Current Per Pupil Expenditure Studies
3. Cost of School Construction Index
4. Comparative Educational Cost Studies
5. Cost Information on Teacher Preparation
6. Contributed Services

¹Rev. John Reedy, C.S.C., "Education: An Interview with Rev. C. Albert Koob," Ave Maria, Vol. 101, No. 17 (April 24, 1965), p. 10.

²Bro. Leo V. Ryan, C.S.V., "15 Problems in School Finance," Catholic Property Administration, Vol. 27, No. 6 (June, 1963).



7. Tax Related Considerations of Catholic Education
8. Patterns of Financial Support
9. Financial Subsidies
10. Fund Raising Techniques
11. Auxiliary Enterprises
12. Diocesan Development Funds
13. Tuition Studies
14. Special Fee Studies
15. Role of Parents and Parish in School Financing



CHAPTER V

SUMMARY AND CONCLUSIONS

The Roman Catholic Church possesses some unique characteristics as a religious institution. The size of its membership and the evidence of its wealth make it a natural candidate for a study of this kind. The relative simplicity of its organization structure adds to its attractiveness as a choice for analysis. The variety of its involvements and activities does not permit total consideration in a singular study.

The American Institute of Management on three separate occasions in recent years (1956, 1960, 1962) made the Roman Catholic Church the subject of its management audit. The initial study received widespread acclaim as the first of its kind. Although portions of each study touched upon matters of accounting and financial reporting, the overall scope was much broader. The studies concentrated their efforts on the top level of the organization structure, namely the Vatican. The three studies conducted by the A.I.M. provided the original inspiration for additional research into the temporal administration of Roman Catholicism. The two lower levels of authority appeared to be



fruitful areas of study.

The bishop of a diocese performs managerial duties in the conduct of the temporal affairs of his jurisdiction. The pastor of a parish, on a smaller scale, performs managerial duties in the conduct of the temporal affairs of his parish. The temporal duties of these administrators are akin to those of managers in industry. Accounting has been accepted as a tool of management. Accounting should therefore be a useful tool for decision making by the Catholic bishop of a diocese and by the Catholic pastor of a parish. Two questions seemed to dominate. (1) Is accounting being used as a tool to aid those in positions of responsibility? (2) If it is being used extensively, are other applications possible? If it is not being used, can it be used? Thus a major hypothesis was developed. Selected techniques of managerial and financial accounting can be applied by the Roman Catholic Church at the parish and diocesan levels of organization.

Contributions of Others

Perhaps the idea had been fully explored by others. Perhaps what appeared to be an original thought of research was simply an inspiration to redo what has been already done. A search of the literature revealed that some work had been done in the area of church accounting. In 1948 Dumas Leon McCleary authored a doctoral dissertation titled



"Parish Accounting: An Analysis of Catholic Parish Financial Reports and Accounting Systems and Two Suggested Systems." In 1953 Emerson Henke published his findings in a doctoral dissertation titled "Practical Accounting Procedures for Protestant Churches." In 1954 Godfrey F. Burkhardt published his work titled "Accounting for Parishes."

Each one of these works has made a valuable contribution to a neglected area. However, their concentration of effort, as is apparent from the titles, was on the recording and procedural aspects of accounting. There was no intent to explore the usefulness of accounting as a managerial tool. In the intervening period of some eleven years, no additional research in this area has been uncovered.

Original Contribution

The three empirical studies on church accounting had noted certain weaknesses and deficiencies in accounting procedures and practices. Perhaps in the past decade all of these shortcomings had been corrected. Perhaps today both the bishop of the diocese and the pastor of the parish are using accounting as a useful managerial tool.

An analysis of the financial and managerial accounting practices of seven dioceses was judged sufficient to provide the answer. The five dioceses in the state of Michigan plus two prominent out-of-state dioceses were selected



for review. The compilation of existing practices was obtained through correspondence, analysis and personal interviews. Although the findings were not identical in every diocese, they were similar enough to warrant a conclusion that financial and managerial accounting techniques were not being utilized in their fullest at either the diocesan or parish levels of organization in the Roman Catholic Church.

Needs of the Users

The existing system of accounting reports is not meeting the needs of external or internal reporting. To one trained in accounting, the reports appear primitive and unsophisticated. To many users of the accounting reports, the formats are of little value in evaluating performance, in providing answers to questions and in accounting for stewardship. Educators, school superintendents, bishops, members of school boards and parishioners are among those who have criticized the present system of reporting. The needs of the users must be considered.

Full Disclosure

A cloak of secrecy has surrounded external reporting practices of the Roman Catholic Church. This penchant for concealment has aided the survival of inadequate accounting reports. What cannot be observed, cannot be criticized.



There are indications that full disclosure in financial matters must be forthcoming in the near future. Some bishops urge full disclosure to ward off charges of extreme wealth and financial well being. Some educators urge full disclosure to identify the contribution of Catholic parochial education to the entire system of national education. Some non-Catholics urge full disclosure to either support or defeat the current measures for financial aid to the Catholic parochial school system through both Federal and state legislation. Some pastors urge full disclosure to communicate the financial needs of the parish to the parishioners for additional financial support.

If full disclosure in accounting and financial reporting comes into being, the accounting methods and reports must be refined. Unsophisticated methods and reports, if allowed to remain, will be subject to misinterpretation and criticism. These are the very two things which full financial disclosure is designed to combat.

Lay Experts

College and university educators have deemed accounting a subject worthy of both undergraduate and graduate study. A sophisticated utilization of this discipline will require the employment of personnel who have exhibited competence through formal study and experience. To date, the Roman Catholic Church has not employed sufficient num-



bers of personnel who have formal training in accounting.

The eventual realization of the usefulness of accounting and the pressures for full disclosure may force this religious institution to take the necessary action. The Church can require its own Religious to be trained in the discipline of accounting. The forecasts of declines in religious vocations make it desirable to staff this area with lay experts. The present trend toward more lay participation in church affairs lends support for this latter alternative. Lay experts should more than pay their own way through the services which they can render. The recent appointment of a Lay Administrator for the Archdiocese of Chicago represents a step in this direction.

Statement of Operations

The operation of a parish can be segregated into three distinct functions: (1) the church, (2) the school, and (3) non-parish benevolences. The existing statement of parish operations comingles the three functions. The failure to identify the functions has created problems in communication. Parishioners are not aware of their involvement in extra-parish benevolences both domestic and foreign. Parents of parochial school children are of the opinion that their tuition assessment is sufficient to provide a total means of support for the operation of the school.



Separate operating statements by parish function would be more communicative. Parishioners could easily see the commitment made to each function. Future financial planning is facilitated because the components of the plan are smaller. Information for functional evaluation, analysis and comparison is now available.

Statement of Financial Position

Although a statement of financial position is a traditional reporting document for profit oriented concerns, it has been used very sparingly by parishes of the Roman Catholic Church. The presentation of this statement does have its place in church accounting.

A statement of financial position for parish operations is necessary (1) to fulfill the concept of total financial reporting, (2) to meet the needs of interested parties, and (3) to give the parishioners a sense of achievement and strength. Such a statement should identify the operating fund and the plant fund as distinct segments of the whole. The failure to present this financial statement in the past may have been due to the failure to recognize its contribution.

Total Reporting

At the present time certain items of revenue and expenditure are being omitted from the financial reports. In



the interest of proper accounting and total reporting, such items should be included in the financial statements. This would require that (1) all Mass stipends and other stipends and stoles be reported as revenues and expenditures, (2) all Christmas and Easter Collections be included in the financial report, and (3) all contributions made by church societies and school organizations be reported to the parishioners and the chancery. Any departure from total reporting regardless of the circumstances can lead to misinformation and abuses.

Financial Progression or Regression

It is necessary for any organization to know its financial direction. Presentations of financial progressions or regressions are necessary elements to proper evaluation and planning. There has been a complete absence of comparative data in parish financial reports.

The inclusion of a five year summary of financial data and statistics would provide a measure of advancement or retreat. Such a summary is frequently included in corporate financial reports distributed to shareholders and filed with the Securities and Exchange Commission. Parishioners, diocesan officials and other interested parties would find such data to be meaningful and illuminating.



Frequency of Reports

No business organization would attempt to satisfy the needs of its decision makers with an annual statement alone. Yet the Catholic parish attempts to satisfy the needs of its bishop and its parishioners with a report once every year. The thirst for timely information to help make decisions which are pending cannot be quenched with an annual communication. Semi-annual or quarterly financial reports are necessary to keep the parishioners informed of financial sources and needs. Periodic reports are needed to keep the diocese informed of the problems and progress of the parish. Mechanical and electronic accounting equipment, as discussed elsewhere, make such frequency of reporting possible with a minimum of effort.

Selection of the Reporting Period

All parishes now use a calendar year basis for their reporting periods. Because the school operation is a substantial segment of overall parish operations and because the school year does not coincide with a calendar year, a revised reporting period is needed. A natural business year beginning July 1 and ending June 30 is in order. The adoption of this natural reporting period would (1) present data for a homogeneous period of operation, (2) provide for more meaningful analysis and comparison, and (3)



permit analysis and comparison at a time when overall activity is at its low point during the summer months.

Forward Planning

The absence of some scheme of forward planning for parishes is a definite shortcoming. Henke found that Protestant churches prepare budgets. The Catholic parishes are not using budgets. Forward financial planning must be adopted by the parishes to achieve a coordination of efforts and to evaluate actual performance against a predetermined goal. The establishment of budgets would also involve the laity to a greater degree in parish plans and problems.

Central Control and Reporting Area

The establishment of a Central Control and Reporting Area in those dioceses where it is feasible could accomplish the following objectives. (1) It would free the parish pastor to care for the spiritual needs of his parishioners. (2) It would assure uniformity in accounting and financial reporting practices. (3) It would make timely data immediately available for review and analysis. (4) It would permit a greater utilization of assets. (5) It would use competent professional personnel in an area where professional skills are essential.

Index of names

Index of subjects

Parish Support Index

The establishment of a tithing plan in many parishes has provided a means for each parishioner to measure his contributions against a prescribed norm. What is needed now is a standard to measure the generosity of the entire parish. The Parish Support Index (P.S.I.) provides a way to compare the actual contributions of a parish to the expected or standard contributions of a parish. No longer is the absolute level of parish support the lone determining factor of parish success or failure. Now the actual support in relation to the expected support is paramount in making decisions of praise or admonishment.

Control of Expenses

After norms have been established for parish revenues, standards must be determined for parish expenditures. It is only in this way that the consumption of economic resources can be measured and evaluated. A starting point for the development of this technique is to group the parishes into like classifications as, for example, by number of families. A thorough study of past historical data and a reconciliation of high and low points of expense within each class will produce a point of departure toward the establishment of sophisticated standards for expenses.



The Attest Function

The attestation of financial statements by independent experts has become normal and expected practice for organizations which rely on public support and backing. To date the Roman Catholic Church has not found it necessary to require certification of its financial statements. The primary reason for this is that the financial data has not been exposed to many people outside the immediate administration of the Church. As the demand for public support increases and as in turn the public's demand for financial data increases, the attest function becomes essential. It is only after an independent expert has examined and agreed to the fairness of the financial data, that credence can be placed on the figures presented. There are a number of alternatives by which attestation of the financial statements can be achieved.

A National Association

The communications among diocesan chieftains of accounting and financial matters is minimal at best. Sophisticated techniques developed in one diocese are unknown in another diocese. Financial and accounting misadventures in one diocese are repeated anew in another diocese. A national association of diocesan accounting and financial officers would provide an instrument for exchanging tech-



niques, concepts, ideas and developments. Regional meetings of such a group would permit group concentration on problems which heretofore have been considered by only one or two individuals. Another's experience can be a vital tool in decision making.

Control of Cash

The failure to get the maximum effort out of parish funds is evident in almost every diocese. Idle cash balances are tolerated by diocesan officials. Many pastors either knowingly or unknowingly hold more cash than needed in non-interest bearing checking accounts. Diocesan regulations and controls with respect to maximum parish cash balances would promote the financial welfare of the entire diocese. The experiment in the Archdiocese of Chicago is ample proof of what can be done to increase revenue and reduce debt.

Special Cost Studies

The primary drain on the economic resources of Catholics in the United States is the support of the parochial school system. This particular parish function lends itself to a variety of cost studies and analyses. Such data as cost per elementary pupil, cost per secondary pupil, cost per classroom, cost per school and cost per district will have to be forthcoming in order to make evaluations

of performance, comparisons of operation and pleas for support. Cost accounting can be a most valuable tool in achieving these ends.

Final Conclusion

The Roman Catholic Church was in existence some fifteen hundred years before the Franciscan monk, Luca Paciolo, authored the first printed work on bookkeeping. The Roman Catholic Church was in existence some nineteen hundred years before the profession of accountancy was introduced in the United States. The Church has weathered many crises. We have no doubt that the Church can ignore every recommendation made in this dissertation and continue its existence. We do feel, however, that the adoption of the recommendations of this study in the temporal administration of the Church would promote its temporal well being and in turn promote its spiritual well being.

continued on

next page

APPENDIX A

CASH STATEMENT OF ST. JOHN'S CHURCH, BRICEVILLE, PA. FOR THE YEAR 19__

Balance of Cash on hand Jan. 1, 19__	\$ 229.36
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Ordinary Church Receipts:

Pew Rents	\$1,104.25	
Door Collections	1,626.90	
Penny Collections	1,515.16	
Monthly Collections	3,427.23	
Cemetery	941.17	
Altar Society	240.55	
Rosary Society	125.60	
All other sources	<u>65.87</u>	9,046.73

Diocesan and Foreign Collections:

Orphans' Fund	\$ 187.93	
Holy Land Fund	39.45	
Indian and Negro Missions	28.50	
Catholic University	120.00	
Peter's Pence	<u>62.00</u>	437.88

Extraordinary Receipts:

Entertainment	\$ 136.80	
Rent of School-Hall	65.00	
Donations	<u>37.00</u>	238.80
		<u>\$9,952.77</u>

Source: Rev. Daniel J. Kaib, O.S.B. Bookkeeping for Parish Priests. Second, Revised Edition (Cincinnati, Ohio: The Mountel Press, 1916), pp. 88-89.



Ordinary Church Expenses:

Salary of Pastor	\$1,000.00	
Salary for Assistants	90.00	
Salary of Sexton	540.00	
Salary of Organist and Choir Expenses	508.52	
Cemetery	495.20	
Taxes	161.40	
Other Usual Expenses of Church	272.02	
Other Usual Expenses of Rectory	87.75	
Altar Society	117.21	
Salary of Teachers	1,200.00	
School Supplies	<u>346.22</u>	4,818.32

Diocesan and Foreign Funds:

Diocesan Assessment	\$ 175.00	
Orphans' Fund	187.93	
Holy Land Fund	39.45	
Indian and Negro Missions	28.50	
Catholic University	120.00	
Peter's Pence	<u>62.00</u>	612.88

Extraordinary Expenses:

Interest Paid on Debt	\$ 553.00	
Repairs of Church and School	266.79	
Repairs of Pastoral Residence	143.65	
Furniture for Church and School	307.69	
Furniture for Pastoral Residence	112.63	
Cemetery Improvement	677.42	
Amount Paid on Principal of Debt	1,591.78	
Mission	<u>150.00</u>	3,802.96

Balance of Cash on hand Jan. 1, 19__	<u>718.61</u>
	<u><u>\$9,952.77</u></u>



APPENDIX B

X PARISH

OPERATING STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 19__

INCOME

Regular Income:

Sunday and Holyday Collections		\$12,000.00
Pew Rent and Fees		3,000.00
Devotions and Missions		1,000.00
Special Collections:		
Fuel Collection	\$500	
Candle Collection	<u>175</u>	675.00
Non-Parochial Collections		1,680.00
School Income		3,500.00
Alms Boxes		<u>500.00</u>
Total Regular Income		<u>\$22,355.00</u>

Auxiliary Income:

Parish Benefits:		
Gross Income	\$10,000	
Deduct Expense	<u>1,500</u>	\$ 8,500.00
Votive Stands and Pamphlet Rack:		
Gross Income	\$ 1,000	
Deduct Expense	<u>200</u>	800.00
Donations and Bequests		1,000.00
Interest and Dividends		180.00
Income from Church Property		500.00
Church Societies:		
Sodality	\$400	
Holy Name Society	<u>500</u>	900.00
Miscellaneous Income		<u>50.00</u>
Total Auxiliary Income		<u>\$11,930.00</u>
Total Income		<u>\$34,285.00</u>

Source: Godfrey F. Burkhardt, Accounting for Parishes
(Latrobe, Pennsylvania: The Archabbey Press, 1954),
pp. 168-170.



X PARISH

OPERATING STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 19__

EXPENDITURESChurch:

Salaries of Resident Clergy	\$2,400
Honorarium for Extra Clergy	200
Salary of Organist and Choir Director	1,500
Salary of Sacristan	600
Sanctuary and Sacristy	2,000
Choir	200
Maintenance and Repairs	1,000
Insurance	100
Gifts and Donations	600
Miscellaneous	20
	<hr/>
Total Church Expenditures	<u>\$8,620</u>

Rectory:

Salaries of Domestic	\$2,600
Kitchen	1,000
Housekeeping	800
Maintenance and Repairs	600
Insurance	75
Miscellaneous	35
	<hr/>
Total Rectory Expenditures	<u>\$5,110</u>

School and Convent:

Salaries of Teachers	\$2,400
School Expenditures	1,200
Maintenance and Repairs	2,400
Insurance	80
Miscellaneous	30
	<hr/>
Total School and Convent Expenditures	<u>\$6,110</u>



X PARISH

OPERATING STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 19__

EXPENDITURES (Continued)

General Expenditures:

Salary of Janitor	\$2,000
Janitorial Supplies	700
Express and Drayage	50
Utilities	2,400
Non-Parochial Collections and Assessments	2,650
Office Expenditures	500
Interest Paid	1,550
Taxes	300
Transportation	1,000
Miscellaneous	<u>40</u>

Total General Expenditures	\$11,190
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Total Expenditures	<u>\$31,030</u>
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Excess of Income over Expenditures to Operating Fund Surplus	<u>\$ 3,255</u>
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X PARISH

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 19__

OPERATING FUNDAssets

Cash on Hand		\$ 50.00
Cash in Bank		
First National Bank	\$4,611.70	
Mutual Savings Bank	<u>3,000.00</u>	7,611.70
Accounts Receivable		200.00
Notes Receivable		500.00
Investments		<u>1,000.00</u>
Total Assets		<u>\$9,361.70</u>

Liabilities and Surplus

Accounts Payable	\$ 85.00
Payroll Taxes Payable	100.00
Operating Fund Surplus	<u>9,176.20</u>
Total Liabilities and Surplus	<u>\$9,361.70</u>



X PARISH

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 19__

PLANT FUND

Assets

Cash on Hand		\$	30.00
Southern Trust Company			2,000.00
Investments			5,000.00
Furniture and Equipment:			
Church	\$ 30,000.00		
Rectory	15,000.00		
School	11,000.00		
Convent	<u>8,000.00</u>	64,000.00	
Buildings:			
Church	\$150,000.00		
Rectory	25,000.00		
School	70,000.00		
Convent	<u>18,000.00</u>	\$263,000.00	
Land			<u>50,000.00</u>
Total Assets			<u>\$384,030.00</u>

Liabilities and Investment in Plant

Notes Payable		\$	4,000.00
Mortgage Payable			50,000.00
Investment in Plant			
Expended	\$323,000.00		
Unexpended	<u>7,030.00</u>	\$330,030.00	
Total Liabilities and Investment in Plant			<u>\$384,030.00</u>



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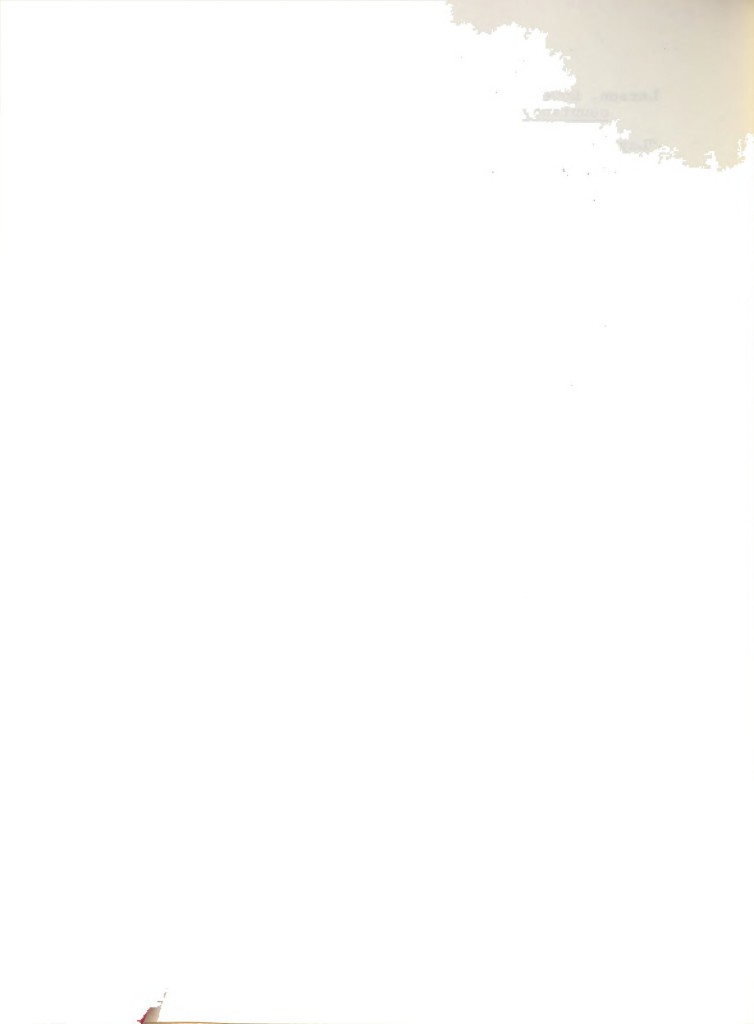
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