

Understanding of Parish Financials

Imagine the following scenario: You are at a parish council meeting and the treasurer just reported that the parish's preliminary cash operating budget for next year shows expenditures exceeding revenue by \$50,000. Expenses are going up, but contributions from parishioners are flat at best. The parish savings account is almost depleted and it's only a matter of time before the parish will have to borrow money just to keep the doors open and the lights on. You look at the financial reports and the projections for next year. You are duly impressed with these reports and with the treasurer who reported them, but to be perfectly honest, the numbers and the columns don't communicate a thing to you....¹

1. Adopted from: <http://www.ulc.org/wp-content/uploads/2012/10/Keeping-Your-Parish-Financially-Healthy.pdf>

Another scenario: A Proistamenos was talking with a seminarian—soon to be his assistant priest....

“So, we were sitting in the cafeteria and I said to him, ‘George, do you know anything about insurance?’ He said, ‘I don’t know...’ ‘What about insurance for buildings or life insurance? How about interest rates at the bank?’ He goes, ‘What’s an interest rate?’ So I said, ‘How can you run a parish budget of a million dollars a year? . . . You have to know enough, like how to look at a financial statement and know, you know, if something [improper is going on].’”¹

1. Missios, M (2010). *An exploratory study of the leadership style and practice of Greek Orthodox priests in the United States*. Available from ProQuest (UMI No 3439463)

Why is Financial Understanding Important?

“Everything in the parish, and everything about it, must be holy. . . . Everything in and about the parish—its organization, structure, administration, **finances**, and properties, as well as its theological and moral teachings and practices, and its liturgical and sacramental rites and services—must be of God.”

Fr. T. Hopko

Why is Financial Understanding Important?

- ❖ The financial health of the parish is the responsibility of the priest—as representative of the Bishop— the parish council, and of **all members of the parish** as stewards of God's house.
- ❖ To be good stewards, parishioners must have a basic understanding of parish financial operations.¹
- ❖ The importance of the strategic vision to the vitality of the parish was explored in previous modules. Financial understanding is fundamental to creating and implementing the parish vision and mission.

1. A Parishioners Guide to Understanding Parish Finances. Retrieved from www.nlrem.org

Understanding of Parish Finances:

In this module you will be introduced to the basics of parish finances, such as annual budgets, income statements, balance sheets, and audits, you will get an overview of parish financial regulations, policies, and procedures, and an overview of the common accounting systems used by parishes throughout the Archdiocese.

Parish Financial Documents

In the next few slides we will review the parish financial documents that are not only necessary for the administration of the parish but are required by the Archdiocese UPRs and by IRS in order to maintain the parish non-profit organization status. We will also explain a few of the accounting terms that may help clarify the financial documents:

- ❖ Annual Budget
- ❖ Balance Sheet
- ❖ Income Statement
- ❖ Chart of Accounts
- ❖ Deciphering Accounting Terms

Parish Annual Budget

From a conversation with a priest concerning his parish budget:

“We don’t sit there and say, ‘Well, we only have this much money, so we can’t do this and we can’t do that.’ Then you become very negative in what you can’t do. So what we say is, ‘This is our ministry; this is what we’re going to try to accomplish and this is what it’s going to cost. So now we have to go out and get that money.’”¹

1. Missios, M (2010). *An exploratory study of the leadership style and practice of Greek Othodox priests in the United States*. Available from ProQuest (UMI No 3439463)

Parish Annual Budget

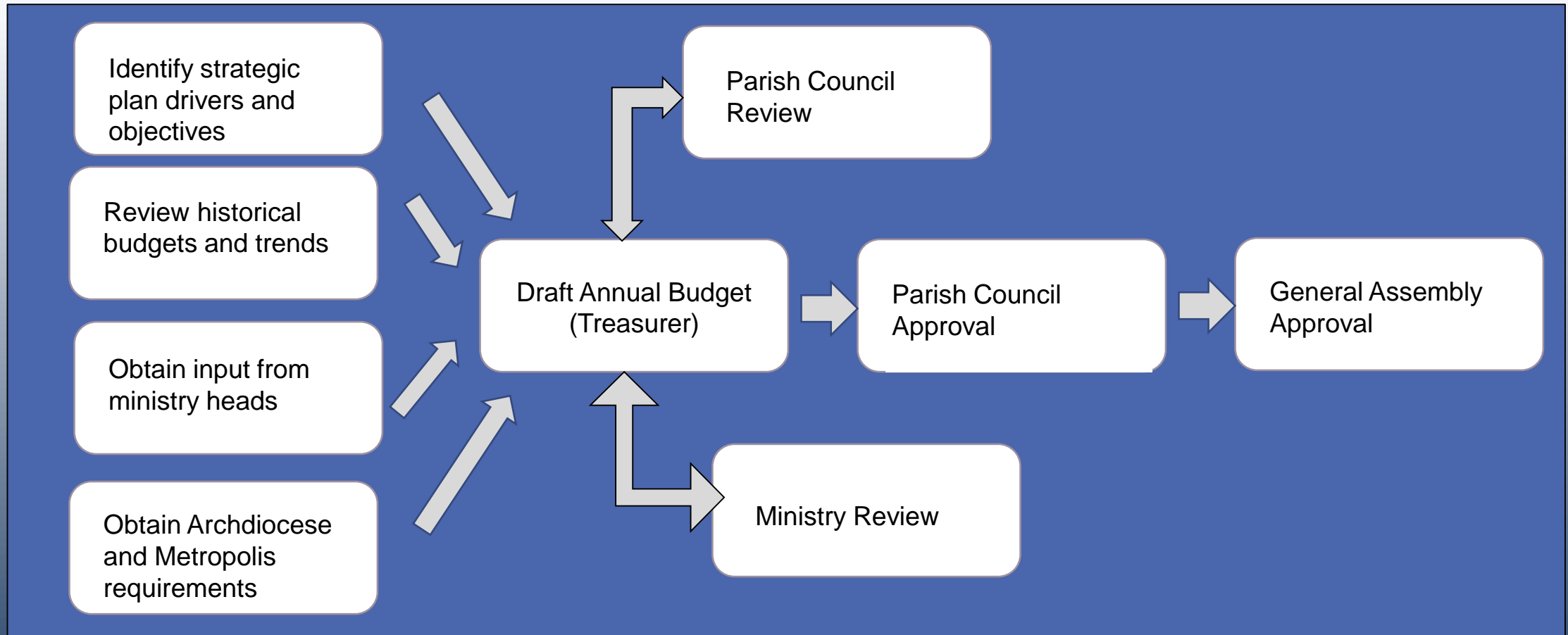
- ❖ A budget is a systematic method of allocating financial, physical, and human resources to **achieve strategic goals**. Parishes develop budgets in order to monitor progress toward their goals, help control spending, and predict cash flow ¹
- ❖ Projection of revenue and expenses for planning purposes
 - ❖ Revenue includes all sources of income such as stewardship, donations, trays, candles, and fundraisers
 - ❖ Expenses include all fixed and discretionary parish obligations such as priest expenses, utilities, maintenance, insurance, Archdiocese allocation, ministries, evangelism, and community outreach
- ❖ The budget is only a projection, not authorization to spend. Actual spending rules are established by the parish's By-laws and its policies and procedures

Parish Annual Budget

Please click the link below to review a sample Annual Budget

[Sample Annual Budget](#)

Annual Budgeting Process



Parish Annual Budget Best Practices

- ❖ Budget the way you want to run your parish, not how you account for it
- ❖ Establish the budget to support your ministries, not the other way around
- ❖ Start afresh each year and evaluate each line item not on historical trends but on its value toward your strategic plan
- ❖ **Stabilize cash flows—typically summer months are challenging**
- ❖ Expect the unexpected – Include adequate flexibility and cushion for a “rainy-day”

Parish Annual Budget Best Practices

- ❖ Do not revise the budget to cover mistakes, rather find ways to remedy the mistakes
- ❖ Stay Accountable - Once the budget is established, you need to stick to it. To do this, meet regularly with staff and ministry leaders to compare budgeted amounts with actual numbers. This will allow for any necessary reallocation of funds and reduce overspending

Parish Balance Sheet

- ❖ Represents a snapshot of a parish's financial position **at any specific point in time**
- ❖ Presents the value of a parish's assets—what it **owns** (buildings, cash, investments, iconography, equipment) and extent of its liabilities--what it **owes** (mortgage, loans, other obligations)

Parish Balance Sheet

Viable Parish



Assets



Liabilities

Non-viable Parish



Assets



Liabilities

Parish Balance Sheet

Please click the link below to review a

[Sample Balance Sheet](#)

Parish Income Statement

- ❖ Also referred to as: Profit and Loss, Revenue and Expenses
- ❖ Statement of actual revenue and expenses at any one point during the fiscal year
- ❖ Similar to the budget—which is a projection-- but with actual numbers
- ❖ Revenue includes all sources of income such as stewardship, restricted and unrestricted donations, trays, candles, and fundraisers
- ❖ Expenses include all fixed and discretionary parish obligations such as priest expenses, utilities, maintenance, insurance, Archdiocese allocation, ministries, evangelism, and community outreach

Parish Income Statement

Healthy Parish



Revenue



Expenses

Struggling Parish



Revenue



Expenses

Parish Income Statement

Please click the link below to review a
[Sample Income Statement](#)

Restricted vs. Unrestricted Donations

- ❖ **Restricted donations**

- ❖ Can be used only for the purpose defined by the donor

- ❖ **Unrestricted Donations**

- ❖ Can be used for any purpose at the discretion of the parish council

- ❖ **Never** use restricted donations for any purpose other than the intended purpose without the consent of the donors

Restricted Donations

Actual example of unauthorized use of restricted donations: The parish council decided to use some of the restricted donations to cover what they thought was a short-term cash flow issue without the authorization of the donors. The “short-term” problem continued, however, and the parish council dipped into the restricted donations again, and again, using about \$300,000 of donations to cover operating expenses. The time came to implement the capital expenditure— in this case, iconography— for which the restricted donations were intended. To the surprise of the donors, the money was not there. Meanwhile, the parish’s financial condition had worsened and there was no easy way to recover the “borrowed” restricted donations....

Questions:

1. How would you have reacted if you were one of the donors?
2. What remedies would you have recommended to solve the problem facing the parish?

What's a Good Parish Income Statement ?

- ❖ It is well organized – Items grouped into logical categories
- ❖ Provides reasonable detail for tracking the parish's financial position
- ❖ Includes account numbers for every line item

40000	Expenses				
		41000	Administrative		
				41025	Computer Maintenance
				41050	Bookkeeping Services
				41075	Office Equipment
				41100	Office Expense
				41125	Postage Expense
				41150	Printing Expense

- ❖ Traceable: All entries are traceable to the parish's check ledger and monthly bank statements
- ❖ Auditable
 - ❖ All expenses are in accordance to the Budget and the parish's policies and procedures

Chart of Accounts

- ❖ The Chart of Accounts is a complete listing of each account in a church's accounting system. An account is a unique record that is used to organize the church's finances. Each financial transaction is assigned to a specific account, and the individual accounts together make up the Chart of Accounts.
- ❖ The Archdiocese has issued a Chart of Accounts so that all parishes can use a consistent reference to the various entries of their income statements
 - ❖ Required for migrating the parish administration to the Archdiocese Parish Software Initiative –to be presented later
 - ❖ Facilitates the Archdiocese Allocation process –to be discussed later
 - ❖ Facilitates “best practices” analysis among parishes
- ❖ Click link below to view the Archdiocese Chart of Accounts

[Chart of Accounts](#)

Deciphering Accounting Terms

❖ Depreciation

❖ “*Depreciation* is the systematic reduction in the recorded cost of a fixed asset such as buildings, furniture, leasehold improvements, and office equipment. The only exception is land, which is not depreciated (since land is not depleted over time.) The reason for using depreciation is to match a portion of the cost of a fixed asset to the revenue that it generates. The net effect of depreciation is a gradual decline in the reported carrying amount of fixed assets on the balance sheet.”¹

❖ Depreciation is not very useful in a parish environment and most parishes do not keep track of it

1. (<http://www.accountingtools.com/overview-of-depreciation>)

Deciphering Accounting Terms

❖ Property Insurance

- ❖ Insurance that protects the physical property, iconography, and equipment of a parish against loss from theft, fire or other perils; all-risk coverage covers against all risks; named-peril coverage covers only against specific perils named in the policy. .
- ❖ If possible (affordable,) the policy should be written on an all-risk basis rather than on a named-peril basis. While the latter only covers the specific perils named in the policy – cheaper premium-- an all-risk policy will cover you for virtually anything –much more expensive ¹

❖ Liability Insurance

- ❖ Liability insurance is any type of insurance policy that protects an individual or business from the risk that they may be sued and held legally liable for something such as malpractice, injury or negligence. Liability insurance policies cover both legal costs and any legal payouts for which the insured would be responsible if found legally liable. ²

1.Retrieved from : <https://www.entrepreneur.com/encyclopedia/property-insurance>

2.Retrieved from: http://www.investopedia.com/terms/l/liability_insurance.asp

Non-Profit Status

- ❖ **A 501(c) organization** is a tax-exempt nonprofit organization in the United States. Section 501(c) of the United States Internal Revenue Code (26 U.S.C. § 501(c)) provides that 29 types of nonprofit organizations are exempt from some federal income taxes. Many states refer to Section 501(c) for definitions of organizations exempt from state taxation as well. ¹
- ❖ The most common type of tax-exempt nonprofit organization falls under category 501(c)(3), whereby a nonprofit organization is exempt from federal income tax if its activities have the following purposes: charitable, religious, educational, scientific, literary, testing for public safety, and a few others. ¹
- ❖ Tax exemption does not excuse an organization from maintaining proper financial records and filing any required annual or special-purpose tax returns

1. Retrieved from: [https://en.wikipedia.org/wiki/501\(c\)_organization](https://en.wikipedia.org/wiki/501(c)_organization)

Parish Accounting Systems

- ❖ Most parishes use an accounting software application for their bookkeeping, check ledger, and financial reports. Some are stand-alone accounting applications. In other cases, they are part of an integrated parish administration system. The most commonly used systems are:
 - ❖ The Archdiocese Parish Software Initiative
 - ❖ Integrated parish administration application
 - ❖ PowerChurch
 - ❖ Integrated parish administration application
 - ❖ QuickBooks
 - ❖ Stand-alone accounting application

Parish Software Initiative

- ❖ Integrated parish administration and accounting application
 - ❖ Membership
 - ❖ Stewardship
 - ❖ Administration
 - ❖ Communication
 - ❖ Sacramental records
 - ❖ Financial accounting and reporting
- ❖ Only approved and supported Orthodox parish software
- ❖ Offered and supported by the Archdiocese
- ❖ Cost effective and user friendly -No initial cost to parishes of the Greek Orthodox Archdiocese for the PDS Church Office and Ledger modules. The cost for support is also included for the first year
- ❖ Please click the link to watch a short video about OSI

<https://www.goarch.org/-/orthodox-software-initiative?inheritRedirect=true>

PowerChurch Software

- ❖ Allows a parish to maintain Stewardship, Contributions, Accounting, Event Scheduling, and general Record Keeping in one complete church administration software package. It's complete, it's powerful, and it's user-friendly. It is also priced low, so that even small churches can take advantage of the tools it provides
- ❖ The Accounting system was designed specifically for use in churches. While there are advanced features for those with a CPA on staff, it allows a parish to maintain auditable books with minimal accounting experience
- ❖ Accounting system features
 - ❖ Accounting Setup Assistant helps get started quickly and accurately
 - ❖ Integrated double-entry bookkeeping system designed for churches and non-profit
 - ❖ Track monthly, year to date, and annual budget comparisons
 - ❖ Print Accounts Payable and Payroll checks
 - ❖ Create invoices and accept payments from Accounts Receivable customers
 - ❖ Generate reports and graphs
- ❖ For more information: <http://www.powerchurch.com>

PowerChurch Software Accounting Features

- ❖ General Ledger
 - ❖ You don't have to have a degree in accounting, but PowerChurch uses principles of fund accounting to balance all of your accounts and produce reliable, clear audit trails. It manages and balances all of your funds, generates month end reporting and track budgets based on the status of your current and prior years' performance. ¹
- ❖ Paying Bills
 - ❖ Keeps accurate records of all invoices and payments due. It stores each vendor's payment history, allows you to record hand-written checks, or print computer checks. Manages recurring payments like leases, insurance, mortgages and utility bills. The result is an easy way to stay on top of all of your Accounts Payable with a minimum of effort. ¹

1. Retrieved from <http://www.powerchurch.com>

Power Church Software Accounting Features

❖ Managing Income

- ❖ While the Contributions module tracks donations and tithes, it allows you to accept payments for invoiced income, such as day care tuitions, or room rental fees. Produces Account Statements for your members, tracks past due invoices, and even issues credit memos when necessary. ¹

❖ Payroll Simplified

- ❖ Payroll is easy with PowerChurch. You can plug in your specific requirements for payroll, like Social Security exemptions or pre-tax deductions, and calculate withholding amounts automatically. It allows the user to modify the tax tables as changes are issued by the federal, state, or local governments. ¹

1. Retrieved from <http://www.powerchurch.com>

QuickBooks Software

- ❖ Stand-alone accounting system intended for small and medium-sized businesses. It is not particularly suited for churches, but some churches use it because it is simple to learn and relatively inexpensive.
- ❖ QuickBooks Features ¹
 - ❖ Balance Sheet – It makes it easy to create your balance sheet with the pre-installed balance sheet template. It lets you organize and review your balance sheets, financial data and other financial reports anytime and from anywhere in one place
 - ❖ Income Statement – Produces easy to use income statements and comparisons with the budget at any given time
 - ❖ Accounts Payable – It makes it easy to manage accounts payable, including tracking and paying bills. You can organize, access and track your accounts payable data and reports anytime from your computer or mobile device in one place

1. Retrieved from: <http://www.quickbooks.com>

QuickBooks Software

QuickBooks Features, Cont'd

- ❖ Cash Flow - Cash flow measures your cash on hand and refers to the movement of money into and out of the parish to ensure that it has enough money coming in to pay its bills today
- ❖ Chart of Accounts – Allows you to define your own or use its standard chart of accounts
- ❖ Accounts Receivable - It is money owed to a business by its customers for goods or services that have been delivered or used, but not yet paid for. Accounts receivable are created when a customer purchases goods or services but does not pay for them at that time
- ❖ For more information: <http://www.quickbooks.com>

Archdiocese Allocation – Fair Share

In the following few charts, we will discuss the Archdiocese Allocation system, its purpose and process, and familiarize you with this very important form of stewardship for the Archdiocese and its ministries.

Archdiocese Allocation – Fair Share

- ❖ Amount each parish in the Archdiocese is assessed annually and paid monthly
- ❖ Purpose: Provide stable revenues to the Archdiocese to partially fund its ministries, while ensuring fair and equitable assessment across all parishes in the country

Archdiocese Allocation – Fair Share

❖ What does the allocation used for:

- ❖ 25% of the allocation revenue is returned to the Metropolises to pay for their staff expenses
- ❖ The other 75% is used to partially (about 70%) offset the Archdiocese operating expenses and ministries such as:
 - Ecumenical Patriarchate
 - Holy Cross School of Theology
 - Orthodox Observer
 - Archdiocese Web Site
 - Religious Education
 - Youth Programs, such as Ionian Village

Click the link below to view the allocation process manual

[Allocation Process](#)

Policies and Procedures

In the last few charts of this module, we will discuss the policies and procedures that each parish is required to have and adhere to not only to comply with the Archdiocese and legal requirements, but also in order to have well-organized administrative processes with financial transparency, trust, and focus on the parish's strategic vision and mission

Policies and Procedures

- ❖ Why are policies and procedures needed?
- ❖ UPRs
- ❖ Audits
- ❖ Parish Policies and Procedures manual
 - ❖ Contents
 - ❖ Sample parish P&P manual

Why are Policies and Procedures needed?

- ❖ “St. Paul, the Apostle to the nations, addressing the Church of Corinth in c.55 A.D. writes: *God is not a God of disorder but of peace* (1 Corinthians 14 :33). He also adds: *all things should be done decently and in order* (1 Corinthians 14 :40). What the great Apostle Paul emphasized to the Corinthians was the need for order, dignity and peace within the Church. He also emphasized to the Corinthians the need to avoid any disorder, confusion, disorganization, and turmoil; for the God of Christians is a God of order and peace, and not a God of disorder, confusion and turmoil.¹
- ❖ Policies and procedures are needed to ensure smooth, uniform, transparent, and orderly operation of the parish.
- ❖ We will be discussing the following documents
 - ❖ The Archdiocese UPRs
 - ❖ The parish by-laws, and
 - ❖ The parish policies and procedures manual

1. <http://www.goarch.org/archdiocese/documents/pdf/2007-Regulations-Amended.pdf>

Uniform Parish Regulations

- ❖ It is exactly for the advancement of order, decency and peace within the parishes of the Holy Archdiocese of America that we publish these Uniform Regulations. We are certain that they will be adhered to with care and precision. We are also certain that they will contribute not only to the advancement of order and proper functioning of our parishes, but also to the edification of these communities in Christ for the spreading of Orthodoxy and for the glory of God.”¹

1. <http://www.goarch.org/archdiocese/documents/pdf/2007-Regulations-Amended.pdf>

Uniform Parish Regulations

- ❖ “The Regulations of the Greek Orthodox Archdiocese of America contain the policies, rules, operation procedures, and controls to promote effective governance of Church activities at all levels; plus, communications procedures to assure those in positions of responsibility understand these policies, rules and regulations and the obligations of their position.”¹
- ❖ Administration and Finance – Part III, Chapter 3 of the Regulations provides specific policies concerning the administration and financial management of the parish.
- ❖ Please click the link below to view the Archdiocese UPRs

[Archdiocese UPRs](https://www.goarch.org/documents/32058/3058354/Archdiocesan+Regulations+2007+Amended/9309025e-5ca1-4675-8c51-8babc0b32c40)

1. <https://www.goarch.org/documents/32058/3058354/Archdiocesan+Regulations+2007+Amended/9309025e-5ca1-4675-8c51-8babc0b32c40>

Parish By-Laws

- ❖ Provisions that are appended to the Archdiocese UPRs to establish certain rules specific to a parish such as:
 - ❖ Definition of and requirements for voting membership
 - ❖ Number and term of office of parish council members
 - ❖ Size of quorum for general assemblies

- ❖ Please click the link below to view a sample of the parish by-laws of the Holy Cross-Sts Constantine and Helen Greek Orthodox Church in Huntsville, AL

[Parish By-laws](#)

Policies and Procedures Manual

- ❖ Based on the Archdiocese UPRs and the parish by-laws, the parish policies and procedures manual
 - ❖ Provides description of the duties of all parish leadership positions
 - ❖ Provides consistent and transparent rules for the administration and financial management of the parish
 - ❖ Provides a vehicle for smooth succession of parish leadership and eliminates the need for inventing the wheel during leadership transitions
 - ❖ Provides a blueprint for best practices
 - ❖ Please click link below to view a sample of a well-written parish policies and procedures manual of the Annunciation Greek Orthodox Church in Mobile, AL

[Policies and Procedures Manual](#)

You have now been called as one of the 70 Disciples

Luke 10:1

