



*Catholic Diocese  
of Cleveland*

**Introduction**

*Parish Financial  
Operations Handbook*



# CATHOLIC DIOCESE OF CLEVELAND



## Introduction

### **WHY THE NEED FOR A PARISH FINANCIAL OPERATIONS HANDBOOK?**

Over the years the Diocesan Finance Office has released various instructions and guidelines on many subjects concerning parishes and schools. Pastors and others involved in managing the parish have had some difficulty in locating some instructions and guidelines, some dating back to long before they became involved at the parish. When questions came up, often no one had knowledge of what they were supposed to do under certain circumstances.

As you will note under the Yellow tabs of this handbook, we have attempted to develop a more orderly system by having "Financial Policy and Procedure Statements" that will be part of this handbook. Some statements are already written and included in the handbook. Others will be issued over the next year or two. The individual statements will be periodically updated. The date of the most recent revision, together with the date of the document being replaced, will be shown on the revision.

An important part of the handbook is the new accounting system for all parishes and elementary schools of the Diocese. The old accounting system was developed over 20 years ago and no longer serves the needs of most parishes due to the very significant changes that have transpired over the years. These changes include the increased role of the laity; the advent of Parish Pastoral and Finance Councils; kindergarten, pre-school, latch-key and other new school programs and increased emphasis on adult religious education.

The new accounting system consists of the Chart of Accounts (Blue tabs), Account Descriptions (Amber tabs) and Financial Statements (Green tabs). The accounting system is more fully described in Financial Policy and Procedure Statements A and B.

### **HOW THE HANDBOOK WAS DEVELOPED**

Work on the handbook began four years ago by a committee comprised of people from the Finance Office, the Information Services Office, and the Office on Catholic Education. They were assisted by a consultant.

The committee solicited suggestions from several Diocesan offices including the Chancery Office, Religious Education Office, Diocese Pastoral Planning Office, Evangelization Office, and Office on Catholic Education. Their input was very helpful as it enabled the committee to better recognize the wide variety of activities that take place at the parish and school level and which would not be as evident to those not involved in parish programs.

The committee also obtained handbooks and accounting systems of other Dioceses - both large and small - to identify ideas useful to our Diocese. While this research was useful, we did not identify any system that met the needs of our Diocese. Some systems were simple but did not address the concerns of many of our parishes and schools. On the other end of the spectrum, some dioceses had highly sophisticated systems that we believe went well beyond the capabilities of many of our small and medium-size parishes. For the most part, each system was tailored to meet the needs of that particular Diocese. To a large extent this is also true of our new system.

In developing the new accounting system, we had to keep in mind the people who will be using the system on a daily basis. The Cleveland Diocese has about 240 parishes spread throughout eight counties in Northeast Ohio. The parishes, ranging in size from about 200 to over 3,000 parishioners, are located in the inner-city, in the suburbs and in rural areas. While we had to consider size and geographical differences between parishes when developing the system, we also had to recognize that the background of the people using the accounting system varied greatly. Some parishes have staffs with extensive training and work experience while other parishes have a secretary that also does the



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parish bookkeeping but with limited training or experience. Faced with these realities, we tried to develop an easy-to-understand system with the flexibility built in to meet the demands of the diverse mixture of parishes in the Diocese.

By late 1992 the committee had completed its first draft of the proposed accounting system and requested several parishes to critique the system with the view of giving comments on how the system could be improved to better meet their needs. Numerous changes were made as a result of their input.

Fifteen parishes were asked in mid-1993 to pilot test the updated system in operation during the last half of 1993. The results of the pilot resulted in still more changes. Those changes have been incorporated in the accounting system. Undoubtedly, further changes will be made after more parishes implement the system.

### HOW THE NEW ACCOUNTING SYSTEM IS DESIGNED

To meet the varied and diverse needs of the parishes, we tried to develop a simple system that would provide the flexibility that would be of greatest assistance to the parishes and schools.

The new accounting system has about 180 "Control Accounts" to record parish and school receipts and disbursements. This is a large increase in the accounts that have been used. While not all control accounts will be used by any parish or school, we believe we have provided for most of the situations encountered at the parish and school level. This is a major change from the past.

In addition to using control accounts, parishes and schools are encouraged to use "sub-accounts" to tailor the system to meet their needs. In the Chart of Accounts, we have listed several hundred sub-accounts that the parishes may want to use.

Sub-accounts are merely a detailed breakdown of data included in control accounts. For example, the control account for "Utilities" is account 2608 under Plant Operation Disbursements. Under this control account, the Chart of Accounts list five sub-accounts (2608.01 through 2608.05) for electricity, heating, water, sewer and other utilities. The parish has the option to use these sub-accounts or to add or delete from the suggested sub-accounts. Or, the parish may decide to use only the control account - 2608. It can be seen that these options give the parish/school considerable flexibility to tailor the system to best meet its individual needs.

The Account Descriptions provide considerable guidance to those responsible for recording and reporting financial data. We have attempted to describe in detail what should be recorded under each control account, thus assisting them in deciding which accounts to use. We have also included references to specific instructions located elsewhere in the handbook to give them further direction. If people take the time to look within the handbook, most questions should be answered.

The parish financial statements (Green tabs) should be fairly simple for parishes to complete. With a couple exceptions, the information shown in the control accounts is placed on the forms furnished by the Diocese. Instructions on the preparation of the financial statements are in Financial Policy and Procedure Statement B (Yellow tabs).

In designing the accounting system we also attempted to bring together parish planning, budgeting, accounting and reporting. For example, the Diocese's "Our Vision and Goals" statement establishes goals and priorities for the Diocese covering five areas - Celebrating, Evangelizing, Caring, Teaching and Participating. The accounting system establishes five separate cost centers in the chart of accounts to cover each of these areas. Also, the resulting information is reported along the same lines to enable comparison of budgeted amounts to actual costs.



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### **RECORDING FINANCIAL TRANSACTIONS**

A survey of methods used by parishes to record financial transactions showed that half the parishes use manual records, most using accounting journals and forms furnished by the Diocese. A few parishes use manual "Peg-Board" systems. The other parishes have computers and use "software" obtained from various sources. Some software is very sophisticated and versatile while other software is very inexpensive, does the job but with certain limitations.

Parishes can continue to use any method they want to record transactions and prepare reports. At this time, the Finance Office has not developed new journals and forms for parishes. Given the large number of control accounts and the possible use of up to several hundred sub-accounts by the parishes, the design of standardized journals and forms that would meet the needs of all parishes would be very difficult.

Implementing the new accounting system requires substantial effort at the parish level. For parishes already using computers for accounting, the changeover should not be too difficult. For those parishes that have a computer but do not use it for accounting, they may want to consider acquiring an accounting software package to help implement the new system.

The Finance Office has made tentative arrangements with a distributor of Peg Board systems to supply such systems and related training to parishes that now use manual systems and do not have the expertise or financial resources needed for a computer and software. The Peg Board is an inexpensive manual system for recording transactions through the use of carbon-backed checks and carbonless forms. The peg board reduces the time needed to record transactions and cuts down on errors in recording as carbons are used.

Those parishes that manually record transactions and want to continue on that basis, can use standard accounting forms obtainable from office supply stores.

### **PROVISION FOR FUTURE CHANGES**

Obviously, the accounting system will require future changes to adjust to the ever-changing environment in which we live. For that reason this handbook is in loose-leaf form and sheets are printed only on one side to facilitate such changes.

We encourage parish and school staffs to inform the Finance Office of suggested changes or problems they identify in the handbook. Also, if staff has questions that are not answered in the handbook, please call the Finance Office