CATHOLIC DEVELOPMENT + QUARTERLY +

An informational DIGEST to guide development personnel in the emerging field of development.

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THE FINANCE COMMITTEE: MORE THAN A BALANCED BUDGET

The Code of Canon Law (Can. 537) regarding Finance Councils is very broad when it relates to their roles. The Finance Council is to "...aid the pastor in the administration of (parish) goods..." As a practical matter, a host of different models and applications of Finance Councils exist. Officially, the Finance Council is commissioned at the local parish and diocesan levels but the function is also observed in schools, agencies and other church institutions and ministries.

As another practical matter, most Finance Councils function in very narrow financial areas. Often times, the adage of "who has the gold rules" can impact worship, programs, people and even the future of Catholic education.

WORK OF THE FINANCE COUNCIL

Most Finance Councils should assist their institutions in the acquisition and distribution of financial resources to enable the institution to carry out its unique distinctive mission. In reality, Finance Councils work mostly with the following:

- Budget forecasting.
- Budget monitoring.
- Budget building.
- Tracking financial trends.
- Balancing budgets.
- Accounting policies.

Chief administrators (presidents, principals, pastors, directors, rectors, etc.) should recognize that even though the work of Finance Councils directly focus on financial issues, it is much different from public relations, development or even school ministries and other programs, yet, the influence of the Finance Council can be enormous.

That is one reason why our firm advocates a standing "Development Council" that assists the institution and chief administrator exclusively in the generating of financial resources.

Often times, many chief administrators feel frustrated with Finance Councils because of differing expectations. The administrator may seek assistance and participation from the Finance Councils in the areas raising additional revenue. Instead of assistance, they get resistance because the members view themselves as signing on for and only bargaining for the accounting and budgeting process. This is true of most charitable institutions -- many people want to help you manage and invest money, but few wish to help raise the money.

ACCOUNTING VS. MARKETING AND "SALES" (GIFTS)

Although most of us don't like to compare businesses with charities, consider a business comprised of four divisions: "product," "management," "marketing" and "sales." In a Catholic school, parish, diocese or agency think of "product" as the ministry, think of "management" as accounting/financial activities and think of "marketing and sales" as the development program.

Most successful businesses do not have their "marketing and sales" people reporting to their "accounting" people. Yet, for some reason, in Church circles we lump important issues such as public relations, development and other important charitable giving issues under "finance."

If the objectives of the accounting department or Finance Council is monitoring, cash management and balancing the budget and the public relations and development programs report to the accounting or finance division, it can be argued that the goals of the Finance Council become the goals of the Development program.

Therefore, an effective chief administrator must be able to balance these issues just as he/she might balance administration, departments, agencies, faculty or other staff members internally.

Our Catholic schools (arch) dioceses, agencies and parishes require a "visioning" aptitude for the future of our institutions, not only an "accounting" aptitude. Certainly, we must be good "institutional stewards" of our financial resources -- that is not the argument. But without the acquisition of resources that follow bold visions for the future, those resources will be unavailable to be accounted for.

PROFILING AND RECRUITING

What criteria should be used for selecting and inviting lay men and women to serve on school, parish, diocesan or agency Finance Councils? It is critical that the chief administrator seek advice and guidance from a Finance Council that is committed to the work of the Church and has not only a secular view of finances but a spiritual outlook as well. Some criteria for selection:

- Committed Catholics who regularly attend Mass.
- Can bring a skill to the Finance Council that will benefit the institution.
- Has a keen interest in the educational system, ministries or programs of the institution.
- Committed to attendance at all meetings.
- Can serve on a standing subcommittee of the Council.
- Is open to attaining a balance of the "secular and the spiritual."
- Prior history of regular, generous, financial contributions to the Catholic institution.

- Attended Catholic schools and sends his/her children to Catholic schools (if available).

The most ideal set of skills or experience for new Finance Council members would be previous service on your Development Council or if they have served as leaders and donors in a previous Capital Funds Campaign.

Essentially, the message is this: no one can budget, spend or manage the finances of the institution unless he or she has had experience raising finances for the Catholic institution.

SECULAR SKILLS AND SPIRITUAL MISSION

The secular, business skills that lay people can bring to the Finance Council must be honed, molded and fine tuned so that the secular skills allow the Catholic school, parish or institution to continue to achieve its spiritual mission. Development is really developing people and their faith through their involvement and investment in the ministry of Catholic education or other institutions. The Catholic institution's leader should not only allow these volunteers to share their skills but also balance those efforts by educating these lay leaders about the mission of the institution, its ministries, strengths and programs. In effect, they should be "converted," over the long term, to be staunch believers in the work of the Catholic institution.

Finance Councils need to be converted from a "Chamber of Commerce Theology" when it comes to the notion of "profit", black budgets at any cost, individual egos versus good of the spiritual community and, quite candidly, where the money comes from.

The three most important realizations and shifts in philosophy you must change or communicate to your Finance Council are 1) PROFIT CURRENCY, 2) DONOR AS FUNDS APPROPRIATOR and 3) DEBT AS A TOOL.

1) PROFIT CURRENCY -- the currency of profit for a Catholic institution is service. Your institution is not supposed make a financial profit. It had a "profitable" year ONLY if it:

- Educated more students than the year before.
- Welcomed more people into the Church than the year before.
- Offered more tuition assistance than the year before.
- Served more food to the poor than last year.
- Students performed more community service than last year.

Your profit is service, not revenue over expenditures. Your institution's mission does include profit. Financially and from a donor perspective, any "financial profit" can be measured by endowment growth through the years. We must educate our Finance Councils to adopt this philosophy -- which is a form of real, true Christian Stewardship.

2) DONOR AS FUNDS APPROPRIATOR -- no principal, rector, pastor, budget committee or Finance Council has ever appropriated a dime. Donors and users (parents paying school tuition) appropriate funds -- not Finance Councils or budget committees. Faith-oriented donors respond

to the mission and ministry of the Catholic institution through financial gifts or tuition for their children to receive a Catholic education.

A Catholic school is not a "drain" on the parish because these constituents are continually supporting the school. The numbers may not always work, dollar for dollar, but the school drives funding related to its constituent base (not only parents) as every ministry will. Many parishes have made the mistake of closing a Catholic school and assuming that those dollars (less tuition) will be available to do something else -- nothing could be further from the truth. Those donors will take their dollars with them when a school is closed because the "case for support" is weaker.

3) DEBT AS A TOOL -- Unfortunately, debt is viewed as failure in Church circles, but it is a tool or strategy in the business world. That is a secular business habit we need to adopt.

The problem really has to do with ego. We need to educate our Finance Council members how to defend debt as a tool and look into the future with other types of resources. If a Catholic institution spends $80,000, during the fiscal year, on capital improvements and incurs debt of $30,000 during that period -- that should be viewed as a capital debt. Everyone understands capital debt -- it is called a mortgage in one's household. We need that type of thinking on our Finance Councils.

Too many of our precious Catholic schools are now closed because debt was viewed as failure not as a bridge or a tool. Strategies like capital funds campaigns and planned giving must be part of the plan for capital expansion, debt, re-financing and debt pay down. Our boards, councils, administrators and leaders must realize that the old ways of funding our institutions and the short term outlooks are obsolete. We must take the long view and the bold, visionary path.

FINAL THOUGHTS

We have many dedicated, wonderful lay men and women on our Finance Councils. They need new information, new tools and greater support to meet the challenges ahead. They need partners called Development Councils also meeting on a regular, consistent basis to complement each other's work. They need administrators who are fluent and comfortable in the development area.

But most of all they need a bold vision presented to them that will point them in the direction of financial plans to continue our ministries, programs and services in our Catholic parishes, schools, agencies and (arch) dioceses.

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