

# How Parish & Archdiocesan Finances Work

This article was written during the time when I was pastor of St. Paschal's from 2002 to 2014. It represents the general system of parish and Archdiocesan finances during that time.

## What happens to your donation after it goes in the basket?

*Immediately after the collection, the ushers deposit your donations from the baskets into a large locked vault at the back of the church, similar to a night deposit drop at your bank. The counters and parish Business Manager open the vault after the masses. The collection is always in the hands of at least two people for safety and accountability.*

The collection is counted by volunteers and deposited immediately in a local bank. All loose checks are copied and all emptied envelopes are returned to the parish bookkeeper to enter in the parish data system so that parishioners can be credited for their gift. You may call the office any time to check on their records for accuracy.

Parishes receive other kinds of donations besides the Sunday collection, such as donations for weddings, funerals, baptisms, candles, magazines, and Quinceanera ceremonies. Together with the Sunday collection, these donations make up what is called our **Ordinary Income**. This pays for all parish operating costs such as lighting, heating, repairs, salaries, insurance, payroll taxes, and many other general expenses.

Parishes also receive donations for *specific requests*, such as a Building Fund or for the poor of the parish, or the Adoration Chapel. All these donations make up our **Restricted Income**. These donations *can only be used for the purpose for which they were given by the donor*. They are kept in separate parish accounts from Ordinary Income.

Every parish is required by the Archdiocese to submit an annual financial report that details all Ordinary Income, Restricted Income, and parish expenses that occur in the July to June fiscal year. Every parish must also have a Finance Council. They usually review financial reports each month. Every few years, as a routine, the Archdiocese requests a parish or school audit.

The Archdiocese also operates an investment pool to help increase revenue for parishes that choose to deposit their parish funds there. The Investment Pool is like a mutual fund that invests in stocks, bonds, and other financial instruments to earn money for those parishes that invest in it. Each parish is encouraged to deposit any surplus funds in the pool. It is extraordinarily well managed with much professional oversight and has had an excellent rate of return over many years. Obviously, revenue will tend to match the market ups and downs. The entire pool is divided among eight to ten professional investment management companies which are themselves overseen by another investment consulting company (Callan Associates). A separate Investment Committee

sets the general guidelines for the fund (e.g. long term goals, asset allocation, ethical business investing, etc.). The whole system is once again overseen by an Archdiocesan Finance Council consisting of some of the leading financial figures of Los Angeles. Parishes receive investment income based on the total return of the pool to their share of the investment. Money that parishes deposit always remains in the name of the parish and cannot be transferred to other Archdiocesan accounts.

The Archdiocese operates a central office at 3424 Wilshire Blvd in Los Angeles. However, the mission of the Catholic Church is carried out on the local parish level; at almost 300 parishes, 7 Colleges, 51 High Schools, 18 Hospitals, 25 Retreat Centers, numerous special programs, and the massive Catholic Charities programs for the poor. The purpose of the central office is to support these local programs with guidelines, professional resources, and supervision.

The Archdiocese assesses every parish 10% of its Ordinary Income each year to pay for these supervision programs but mainly receives revenue from its own contributions to the Investment Pool. Most years their parish assessment revenue and the investment pool make modest improvements. While the market was up and income was high during the 1990's the Archdiocese greatly expanded its central office activities. Those ministries still continue but with less paid staff and more volunteer help.

The Archdiocese can never assess a parish's Restricted Income, or those donations that are given for a specific purpose, like gifts to the Building Fund, the poor, or the Adoration Chapel. Designated donations by law must only go to the cause for which they are given. The Cardinal also promised that none of the 10% parish assessment would be used to build the Cathedral. He kept that promise. And no parish money ever went to the Cathedral campaign. However, now that it is finished, it is a parish church like any other, and so may receive Archdiocesan assistance if needed. Each year a parish pays 10% of the previous year's Ordinary Income in 12 monthly installments to the Archdiocese.

Each Diocese is also independent of others in personnel policies, legal liability, and financial organization. Any large institution like an Archdiocese will be the target of lawsuits. However, cases are frequently settled out of court, usually at the request and full agreement of both parties. Such liabilities are often covered by insurance. *The Archdiocese cannot use Restricted Income or designated gifts for this.* They may use income from their own account in the investment pool or the 10% parish assessment for insurance premiums or legal fees.

The Archdiocesan **special collections**, such as those for the foreign missions, are collected in specific envelopes during the year. They are restricted or designated gifts and must go to the cause for which they are given. Parishes usually keep these special collections in their bank for one month to allow for late envelopes and then send a check to the Archdiocese, which then sends it on to the charity.

**Together in Mission** is a special collection just for the poorer parishes and schools of our

own Archdiocese. Every parish is assessed 10% of Ordinary Income as a goal for this important cause. These donations are restricted and *must be used only for the purpose of helping poor parishes or schools*. You can find a list of disbursements in the annual report published in the Tidings. If our parishioners give gifts over the 10% assessment, the parish gets a rebate on the amount received over the assessment.

Parish schools receives some of its financial needs from tuition and some from various fundraisers, especially gifts from Parish Festivals or other annual fundraisers, as well as direct parish assistance. The school is also entitled to receive an annual distribution from their own endowment fund if it has earnings. The principal amount of the fund can never be invaded. The goal of the endowment is to eventually replace most of the fundraisers. School usually have their own bookkeeper and operate under guidelines from the Archdiocesan Department of Catholic Schools.

Many parish organizations also raise money throughout the year in fundraisers, such as the various fundraising events by parish groups. These are often separate funds from the parish; however the net profits are used for various parish needs, such as the school endowment, and even local charities according to a budget set by the pastor and the board of each parish organization.

Please feel free to contact me if you would like more information or have any other questions about our or Archdiocesan finances.

*God bless!*

A handwritten signature in cursive script that reads "FR. Dave Heney".

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