

Assembly of Lay Ecclesial Ministers for the Archdiocese of Louisville Co-Workers in the Vineyard

Presenter Information

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Helpful Terminology and References

Accounting – systematic means of recording, managing, reporting, and communicating financial actions of an organization

Accrual Basis – accounting system that records revenue when it is earned (whether received or not) and expenses are recorded when they have been obligated/committed.

Auditor’s Report – a letter from a Certified Public Accountant providing an expert opinion about whether an organization’s financial statements provide a fair representation of its financial position and the results of its operations, in accordance with Generally Accepted Accounting Principles (GAAP).

Budget – plan for the accomplishment of parish priorities, goals and objectives. Planning for a specific time period (day, month, year, or multi-year) and in quantifiable terms. The plan includes amounts of money the parish expects to receive and spend.

Breakeven Analysis – analysis tool for decisions that involve determining at what point a program, project, or event pays for itself. The knowledge that this analysis provides gives the parish information on the level, quantity, or volume needed for a breakeven point to be achieved.

Capital Assets - assets with useful lives extending beyond the year in which they are purchased or put into service. The Church and rectory buildings are examples of capital assets.

Cash Basis – accounting system that records revenues when cash is received and expenses are recorded when cash is paid out.

Chart of Accounts – systematic structure that categorizes all financial accounts and tracks money coming in and money going out from the parish

Compound Interest – method of calculating interest in which interest is earned not only on the original investment but also on the interest earned in interim periods.

Deficit – the excess of cash spending over cash receipts or of expenses over revenues.

Direct Costs – a) costs incurred within the organizational unit for which the manager has responsibility; b) costs of resources used for direct provision of goods and services.

Discounting – reverse of compound interest; a process in which interest that could be earned over time is deducted from a future payment to determine how much the future payment is worth at the present time.

Discount Rate – interest rate used in time value of money analysis.

Employee Benefits - compensation provided to employees in addition to their base salary; for example, health insurance, life insurance, vacation, and holidays.

Finance – Focuses on the alternative sources and uses of the organization’s financial resources.

Financial Management – Focuses on generating financial information that can be used to improve decisions. For church, the decisions are oriented toward achieving the various goals and objectives of the church, while maintaining a satisfactory financial situation.



Fiscal Year – designation used by organizations to describe a twelve-month period for which an organization plans the use funds and report financial status. This period may be a calendar year but can be any twelve-month period. Most church budgets begin on July 1 and end on June 30.

Fixed Costs – expenses that do not change as volume increases or decreases for services offered.

Future Value (FV) – the amount of money paid or received will grow to be worth at some point in the future.

Generally Accepted Accounting Principles (GAAP) – set of standards that must be followed for the organization's financial statements to be deemed a fair presentation of the organization's financial position and results of operations.

Indirect Costs – a) costs assigned to an organizational unit from elsewhere in the organization; b) costs within a unit that are not incurred for direct provision of goods or services.

Internal Controls – processes and procedures that are used to ensure the proper handling of funds.

Liabilities - what the parish owes to others. Liabilities are outstanding bills; for example, accounts payable, payroll taxes payable, health insurance payable, funds held for others, stipends payable.

Liquidity – the degree to which an asset or security can be converted to cash

Managerial Accounting – Relates to generating any financial info that managers can use to improve the future results of the organization.

Modified Accrual Basis – Hybrid accounting method that uses a cash basis to record income as it is deposited and expenses when they are paid, however, when financial reports are pulled for a given period, also include on outstanding accounts receivable and/or accounts payable

Net Assets – the difference between what the parish owns (assets) and what it owes (liabilities).

Net Present Value (NPV) – present value of a series of receipts, less the present value of a series of payments

Performance Measurement – The setting of parameters that programs, investments, and acquisitions strive to meet in order to reach desired results in support of mission goals

Permanently Restricted Net Assets – These are contributions with restrictions placed by the donor that cannot be removed by actions of the parish or the passage of time.

Present Value – value of future receipts or payments discounted to the present.

Return on Investment – a ratio that assesses the profitability of the investment.

Revenues – amounts of money that the parish has received or is entitled to receive.

Sensitivity Analysis – recalculations using varying assumptions and predictions, often referred to as “what if” analysis.

Temporarily Restricted Net Assets – donations that are limited by donor-imposed stipulations that either expire by the passage of time or are fulfilled by actions of the parish.

Time Value of Money – recognition of the fact that an amount of money in the future is less valuable than that same amount of today.

Unrestricted Net Assets – resources available for any purpose after all money received and bills paid.

Variable Costs – costs that vary directly with changes in the volume of service unit changes, over a relevant range of activity.

Variance Analysis– Evaluation of the differences between budget and actual income and/or expenses.

Work Breakdown Structure (WBS) – a deliverable-oriented grouping of project elements that organizes and defines the total work scope of the project. Each descending level represents an increasingly detailed definition of the project work.

"Come to me, all you who labor and are burdened, and I will give you rest. Take my yoke upon you and learn from me, for I am gentle and humble of heart; and you will find rest for your selves. For my yoke is easy, and my burden light" (Matthew 28:15-16).



References

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Other Resources you may find helpful:

1. **Technology and Church** - Check out **Ministry Tech Magazine** (<http://ministrytech.com>). This is a great free web resource for all sorts of matters relates to Church and technology. Ministry Tech also publishes an assessment of Church Financial Management software.
2. **Blog – Church Management Academy** – www.ChurchManagementAcademy.com is my website and blog where I discuss church finance tools, tips, and recommendations.