



# Co-Responsibility and Ethical Financial Management in the Church Convening Executive Summary March 8 and 10, 2021

## Overview

In response to a growing financial crisis within the Catholic Church, Leadership Roundtable hosted 25 leaders in Catholic finance on March 8 and 10 to discuss Co-Responsibility and Ethical Financial Management in the Church. The convening facilitated a much-needed dialogue among leaders in Church finance to explore the roots of the financial crisis facing the Church, and led to identifying five key areas where the response should focus, as well as recommendations for taking action.

## Background

In preparation for our 2021 Catholic Partnership Summit in September, the Convening built upon Leadership Roundtable's February 2020 **Catholic Partnership Summit** – which gathered Catholic leaders to address the most pressing Church leadership and management challenges and opportunities – and our **COVID-19 Leadership Summit** – which gathered senior leaders from vital ministries of the U.S. Church to share their unique perspectives on the pandemic, and to collaborate for solutions to emerging needs.

Throughout 2020, Catholic leaders continually acknowledged the ongoing financial crisis facing our Church and the need to build ethical financial practices and to strengthen the Church's financial situation. This Convening sought to gather Catholic leaders in ethical financial management from a variety of settings to:

- Clarify the Church's most pressing financial management needs
- Build connections among financial experts
- Identify one or more actionable projects or initiatives that can be implemented now to advance an aspect of ethical financial management in the Church
- Identify clear next steps and momentum for action.

## Survey Results

Prior to convening on March 8, attendees were asked to provide their perspective on the financial crisis by answering a six-question survey. The majority of attendees identified both a strong need for financial systems and best practices in the Church, and a strong opportunity to create and

implement such systems and practices. The open-ended questions asked participants to identify the most significant challenges and opportunities faced by the Church with regard to its finances.

The following were identified by participants and are listed in descending order based on how many participants raised the issue.

Areas of challenge:

- Need for financial systems and best practices
- Declining Church membership and giving
- Fundraising and management practices
- Mission and money alignment
- Co-responsibility and lay expertise
- Loss of trust
- The management of the Church's real estate holdings.

Areas of greatest opportunity:

- Establishing financial best practices and systems
- Co-responsibility and involving the laity in Church finances
- Building a strong connection between mission and money
- Training and development for Church leaders
- Empowering diocesan and parish financial councils.

## Assessing the Landscape

It has become increasingly clear that there is enormous potential to strengthen the Church's financial practices and a moral urgency to undertake such work. To set the tone for the two-day convening on Co-Responsibility and Ethical Financial Management in the Church, three speakers addressed attendees offering insight into the financial crisis, research on how the Church currently approaches finances and the implications of that approach, and the role of stewardship going forward to guide the potential at hand.

Kerry Robinson, *Partner, Leadership Roundtable*, shared that the COVID-19 pandemic exposed the Church's need for better access to capital and stronger overall financial health to live out its mission. Potential solutions that participants could consider included providing structures to facilitate immediate financial relief, integrating a system-wide effort to leverage economies of scale, securing mid-term funding and lending capabilities for ministries and cash for crises, and establishing a pooled investment opportunity to strengthen endowments. The financial generosity and expertise of lay Catholics present a unique opportunity to address the Church's financial challenges. How best to leverage lay Catholics who are experts in the field to work co-responsibly with Church leaders to manage effectively and distribute efficiently Church resources?

When looking at how the Church currently approaches financial management, there is a mix of good work being done, and areas of opportunity for change, said Matt Manion, *Faculty Director*,

*Center for Church Management, Villanova University.* He referenced two key studies conducted by the Center during the COVID crisis. The first surveyed chief financial officers (CFOs), or equivalent staff, about diocesan financial decision making and asked who is involved in making the decisions about the types of financial support the diocese will provide for parishes and schools. Overwhelmingly, bishops and their CFOs were involved in 93% of conversations about finance. However, in only 41% of the above-referenced conversations were diocesan finance councils involved. The study recommended that pastoral decisions include financial people **and** financial decisions should include pastoral people.

The second study looked at the impact of COVID on parish collections in a few select parishes as a representative sample. Overall, collections dropped 7% in 2020. If that current rate of decline were to continue, there could be a possible 24% decline by the end of fiscal year 2021 with some parishes on track to lose nearly half of their collections. Despite the overall decline, the study found collections increased in 16% of parishes. What determined whether a parish increased or lost collections was not its size, location, prior year collections or the existence of a parish school, but rather the “missionary impulse” of an individual parish.

The federal CARES Act and the Church’s application for funds, as allowed under it, has featured prominently in recent news. A total of 80% of U.S. parishes received Paycheck Protection Program loans, which kept people employed through the pandemic and funded parish operations. While the decline in collections during the pandemic may not yet be felt by those in the pews, there is a need for parishes and dioceses to communicate clearly and transparently with their parishioners about the financial reality of the Church. Manion noted the Center’s study found only 53% of Catholic parishioners felt they had enough information about parish finances, but that individuals who thought they had enough information contributed 32% more than those that did not.

Manion offered several recommendation to foster Co-Responsibility and Ethical Financial Management in the Church:

1. Share about the impact of COVID on Church finances
2. Share the budget for FY22 and invite input on budget priorities
3. Emphasize co-responsibility: clergy and laity; pastoral and financial
4. Create budgets and financials that communicate Gospel priorities
5. Develop Integrated Reporting on five church capitals: spiritual, human, financial, physical, and cultural.

Patrick Markey, *Executive Director, Diocesan Fiscal Management Conference* rounded out the brief presentations by offering perspective on the work being done, broadly, to address the crises facing the Church and ways to move forward in the spirit of Fratelli Tutti to incorporate finances with the mission of the Church. His recommendations included:

- Be more transparent and more accountable at all institutional levels of the Church (e.g. through publishing comprehensive lists of all donors)
- Hold our leadership accountable, taking lead from Vos Estis Lux Mundi and financial practices-oriented motu proprio, “As a Loving Mother” (June 2016)
- Follow Pope Francis’ call for the creation of a more synodal Church. Along these lines, we need to find ways to strengthen and educate diocesan financial councils
- Pursue more uniform and standardized financial reporting practices across the Church (e.g. issuing 990 Reports)
- Create key performance indicators to compare diocesan performance, study and disseminate best practices being used throughout the country, and build a central repository for all resources currently being developed and/or used to support efforts in these areas.

## Discussions

During the plenary and breakout-group discussions, five central themes emerged.

### 1. Formalize a Joint Effort of National Organizations

Each of the three breakout groups independently proposed creating a joint effort of national organizations to create a unified response to the financial crisis in the Church. It was widely acknowledged that the time to act is now. Participants emphasized the importance of including a diverse range of leaders from multiple disciplines, and that potentially any of the groups represented at the convening could be among those included. Organizations and leaders not present at the convening could also be invited to join the effort, such as members of the clergy, religious brothers or sisters, or leaders of Catholic organizations that have expressed an interest in the response effort.

### 2. Establish Best Practices and Financial Benchmarks

The need for best practices and benchmarks was a common theme during the breakout groups, beginning with a gap analysis to find the missing issues and identify any obstacles. It was recommended to create a roadmap that would establish and promote the use of the best practices as the norm. To roll out the best practices the participants recommended agreeing to a set of common standards, engaging key leaders and institutional signatories, creating and implementing a communication plan, and leading training for any institution that needs help implement the new standards.

In addition to best practices, developing research-based and experience-based benchmarks for measuring financial management emerged as a key element. Due to its use among dioceses, it was recommended that leaders work with the U.S. Conference of Catholic Bishops’ Accounting Practices Committee to expand the “Diocesan Financial

Management: A Guide to Best Practices” to include a 990-type reporting and comprehensive audits, standardized financial statement line-item reporting terminology and guidance around property management.

### **3. Advance Co-Responsibility and Accountability through Finance Councils and Lay Staff**

Implementing the best practices requires empowering co-responsible and accountable finance councils and lay leadership. During the breakout groups, it was suggested to create a network by which finance council chairpersons can communicate openly. Participants envisioned that the finance chairs would likely serve as chief collaborators in the best practices rollout and recommended providing formation for these individuals to build internal capacity through creating guidelines for selecting independent, diverse and competent people to serve on finance councils and including human resources professionals. To empower the councils, it was recommended that leaders encourage bishops and pastors to acknowledge their incomplete expertise with regard to finances and invite those with that knowledge to work alongside them. To engage lay Catholics, participants emphasized the need for open communication from the parish or diocese about budgeting and finances.

### **4. Train Leaders in Best Practices**

Once best practices are established, leaders would need to be trained in their use and implementation. During the breakout groups, participants recommended creating a coalition of organizations that could provide accessible training and resources to parishes and dioceses to implement the best practices. Key elements of that training included involving leaders from across the ideological spectrum and with diverse knowledge – such as chief financial officers, theologians, canon lawyers and attorneys; incorporating Catholic Social Teaching; building the capacity of leaders to train others in the best practices; and connecting the training to the spiritual foundations of Christian stewardship and integrity. To help plant the seed of the best practices and develop the next generation of clergy who are committed to a co-responsible approach to finances, participants recommended working directly with seminaries to teach and train in these best practices.

### **5. Create Financial Sustainability and Access to Capital**

During the final plenary session, the theme of establishing short-, mid- and long-term financial sustainability and access to capital emerged. The Church has a long history of successfully addressing crises like the recent pandemic, however, there is the opportunity to turn attention to capital allocation and formation and investment from a systemic standpoint. Central to creating this sustainability is the concept of strength in unity: combining work into a concerted effort that utilizes economies of scale to reduce spending on commodities, while incorporating structures that enable the Church to raise and distribute money in a crisis and seed money for strategic development.

## **Next Steps and Recommendations**

Due to the overwhelming energy to formalize a joint effort to address the financial crisis, Leadership Roundtable will convene a coalition of interested institutional partners to advance the themes of the convening. This joint effort will have its inaugural meeting in mid-April to discuss its priorities and actions it can collectively undertake to begin moving forward.