

Diocese of Helena
Deposit and Loan Fund Policy
Effective May 1, 2011

Summary

See attached policy for details

***NOTE:** Any project involving changes in the liturgical space, including chapels, requires review by the Diocesan Liturgical Commission and the Diocesan Building Commission prior to approval by the Diocesan Bishop.*

Interest rates as of July 1, 2009

4.5% interest received on reserve deposits.

6.5% interest charges on D & L loans.

5.5% interest received on Montana Tax Credit eligible annuities established before July 1, 2009.

An exception to the rule for interest charges can be made if a donor specific request is made.

Reserves allowed in local bank account or Short term D & L reserve:

The upper limit for savings at the parish level plus Short Term Deposit and Loan reserves cannot exceed 10% of the annual recurring expense budget plus an estimated annual premium charge for Catholic Mutual Multi-peril coverage. Funds in excess of this limit must be placed in a Long Term Deposit and Loan reserve. The use of a Short Term account earning 4.5% interest is not required for funds up to the above limit.

Withdrawal procedure:

To withdraw from Short Term deposit: Send to the Diocesan Financial Services office a written request by letter or e-mail; payment will be made within ten days. To withdraw from Long Term deposits: Send a letter (signed by the Pastor, Finance Council chair and Pastoral Council chair) to the Diocesan Bishop requesting permission. Financial Services will send payment within ten days of Bishop's approval; or explain reason request is delayed or not approved.

Approved projects not requiring the Diocesan Bishop's signature on contract:

Under \$10,000 for total project cost.

Approved projects requiring the Diocesan Bishop's signature on contract:

\$10,000 or more in total project costs.

Fundraising cannot begin until the Diocesan Bishop has given approval for the project.

Deposit and Loan Fund Priority List:

For urgent projects, (i.e., leaking roof, boiler), major building or remodeling projects. Projects will be considered as funds become available.

Project funding:

Deposit and Loan Fund Committee process must be followed.

Amortization:

Up to 15 years normally. 20 years occasionally for hardship cases.

Outside borrowing:

Not allowed by any parish, school, or institution.

Diocesan Assessment and ACA goals during building projects:

Funds raised up to three years before and two years after project are deductions from DA.

Funding of building sites:

Funded proportionately by parish, school or institution, same division if property is sold. Diocese is paid back holding costs plus proportionate share of market value if property is used by parish, school or institution. (See complete Policy for details)

Accounts receivable policy;

Ultimately, old accounts receivable become D & L loans.

Related policies:

Real Estate
Building and Remodeling

Diocese of Helena

Deposit and Loan Fund Policy

Effective May 1, 2011

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Purpose

The Diocese of Helena is a community of faith. Parishes, schools or other diocesan institutions are not entities unto themselves. The resources with which we are entrusted are God's blessing and gifts to help meet and fulfill the mission of the Church and to proclaim God's saving presence in Jesus Christ. That mission and proclamation is best accomplished when as a community of faith our gifts and resources are in service to the needs of the many.

The Diocese of Helena has established the Deposit and Loan Fund to serve the parishes and institutions of the Diocese of Helena. Parishes, schools or other diocesan institutions are to deposit in this Fund: (a) funds received that exceed projected operational expenses (including estimated multi-peril insurance coverage expenses for the upcoming fiscal year); and (b) funds raised during a capital campaign, building fund campaign, or other special fund raising projects or programs. The funds deposited remain the funds of the depositing parish or institution. Interest is paid to the parish/institution at a rate which begins each year on July 1, established in consultation with the Diocesan Finance Council.

The funds on deposit may be loaned to diocesan parishes, schools or institutions who, in accord with this policy, seek a diocesan loan for particular approved projects. In this manner the Diocese of Helena assists parishes, schools and other diocesan institutions when new construction, expansion or renovation is required or when maintenance or repair is required. Such financial support is necessary in order to support the parishes and institutions in their various needs and to preserve and prolong the usefulness and maintenance of the buildings and grounds of diocesan institutions.

Parishes, schools and other diocesan institutions may borrow only from the Deposit and Loan Fund and may not borrow from outside financial institutions.

The money in the Deposit and Loan Fund may not be used to cover shortages of operational cash. [In a critical situation, the Bishop may make an exception to this provision.] In each given fiscal year, through stewardship, a parish, school, or other diocesan institution is to raise its operational income to cover operational expenses. Any excess is to be placed on deposit with the diocese in the Deposit and Loan Fund or in the endowment fund for that parish.

If a parish, school, or other diocesan institution receives stocks, bonds, or other securities from a donor, they are to be transferred to the account of the Roman Catholic Bishop of Helena, Montana. The parish, school, or other diocesan institution will receive a deposit to their Deposit and Loan Fund reserve in the amount of the fair market value of the security as of the date of the transfer, less commission costs of the transfer and subsequent sale of the securities. For unrestricted donations, if the parish, school, or other diocesan institution wants to place some of the funds in an endowment, or request other uses, a letter signed by the pastor or administrator, and the chairpersons of the parish pastoral council and parish finance council, must be sent to the Diocesan Bishop for his consideration.

Moneys placed in the Deposit and Loan Fund by a parish, school, or other institution of the Diocese will be accessible for extraordinary maintenance or repair, new buildings, renovation, equipment purchases, and other capital needs as approved by the Diocesan Bishop, either by letter or in the annual budget approval. The parish, school, or other diocesan institution retains the option to use the funds, when available and approved for the restricted purposes noted above, as long as it remains a canonically created parish, school, or other diocesan institution of the Church.

Reserves Allowed at the Local Level and in Short Term Reserve and Withdrawal Procedures

Normally, parishes, schools, or other diocesan institutions can retain 10% of the annual recurring expense budget plus an estimated annual premium charge for Catholic Mutual Multi-peril coverage as a cash reserve on the local level beyond June 30th. After June 30th, parishes, schools, or diocesan institutions which receive operational grants can retain remaining moneys in these operational grants in addition to the 10% of normal operating expenses. Schools may retain enough cash to meet payrolls in the summer plus 10% of the annual recurring expense budget plus an estimated annual premium charge for Catholic Mutual Multi-peril coverage. This includes money raised during a capital campaign, building fund campaign, or other special fund raising.

The upper limit for savings at the parish level plus Short Term Deposit and Loan reserves cannot exceed 10% of the annual recurring expense budget plus an estimated annual premium charge for Catholic Mutual Multi-peril coverage. Funds in excess of that limit must be placed in a Long Term Deposit and Loan reserve. The use of a Short Term account is not required for funds up to the above limit.

Since these reserves are meant to meet short term cash flow needs, they cannot be invested in CDs, stocks, bonds, mutual funds, or other such instruments. Deposits of funds not needed to meet current cash flow needs may be made to this short term reserve at any time, up to the maximum stated above.

To withdraw from Short Term deposit, send to the Diocesan Financial Services office a written request by letter or e-mail; payment will be made within ten days of receipt of the request.

Long Term Reserve Withdrawal Procedure

In order to withdraw money from the Deposit and Loan Fund Long Term reserves, the parish, school, or other diocesan institution must make a written request to the Diocesan Bishop that is signed by the pastor or administrator, and the chairpersons of the major advisory groups, i.e., the Parish Pastoral Council and Parish Finance Council. This request must detail the need for the money and any plans that may be related to the project regarding additional fund raising and loan requests. Once the Diocesan Bishop gives written approval for withdrawal, the parish, school, or other diocesan institution may contact the Financial Services Office and request withdrawal amounts as the project progresses. In order to eliminate the need for Federal tax reporting by the local parish/institution, no local parish/institution accounts are to be used to pay project bills. The Diocese will pay contractors and vendors from the appropriate Deposit and Loan Fund account.

Normally, withdrawals are only allowed for renovations, emergency repairs, improvements, equipment, new buildings, and other capital expenditures. Withdrawals are not allowed for lack of cash flow because of decreases in operational income. Withdrawal requests may take up to 60 days depending on cash flow and the size of the withdrawal. Large withdrawals may require the Diocese to take out a loan for the project, thus creating a potential time delay.

Withdrawals from a Long Term fund require a letter from the pastor/administrator to the Diocesan Bishop requesting his permission. Financial Services will pay within 10 days of his approval or write back as to why the request was not approved or any other reasons for the payment delay.

Receipt of Estate Proceeds

Should a parish, school or other diocesan institution be the recipient of an unrestricted gift of \$10,000 or more from a planned gift (such as a bequest, life insurance policy or IRA), the money should be temporarily placed in the Deposit and Loan Fund.

After consultation with the governing bodies of the parish, school or institution, strong consideration is to be given to distributing the gift on a percentage basis among the following possibilities:

- _____ % to the parish or institution's short-term and long-term reserve in D&L Fund
- _____ % to parish or institution for current use (preferably not for operations)
- _____ % to a quasi-endowment with the Roman Catholic Bishop of Helena
- _____ % to the Foundation for the Diocese of Helena for addition to a current endowment for benefit of the parish, school, or institution or to create a new endowment

Any gift received by a parish or other institution, in which the donor specifies or restricts the use of the gift, must be used or endowed according to the donor's intention.

Definition of a Project

A project is a repair, renovation, new construction, or some other capital expense. There are different procedures, outlined below, for projects under \$10,000 and for those \$10,000 and over. A project cannot be split into smaller parts to avoid the \$10,000 and above procedure. For

example, when renovating a rectory, the project has to be presented and budgeted in total; it cannot be split into painting, carpeting, plumbing, etc. in an attempt to avoid the necessity for permissions or contracts.

The Diocese encourages each parish, school, or other diocesan institution to review maintenance and construction needs each year. As good stewards of God's gifts, this will ensure the present and future generations have a better facility than the one that was in existence when the pastor or administrator was assigned.

Liturgical Space

Any project, regardless of cost, involving liturgical changes in the liturgical space (including chapels, devotional areas, baptismal font, etc.); removal, replacement or introduction of permanent liturgical art; renovation and/or addition of music ministry space; lighting or sound acoustics and equipment require reviews by the Diocesan Liturgical Commission and the Diocesan Building Commission prior to approval by the Diocesan Bishop.

Approved Projects Not Requiring Bishop's Signature on Contracts

Once approved by letter or in the annual budget approval, some projects do not require the Diocesan Bishop's signature on a contract or any further diocesan processing. The pastor or administrator may enter into approved project agreements with contractors if an approved project cost is less than ten thousand dollars (\$10,000.00). The parish, school, or other diocesan institution may embark on this project and withdraw money, as budgeted, from the Deposit and Loan Fund. In order to eliminate the need for Federal tax reporting by the local level parish/institution, no local parish/institution accounts are to be used to pay project bills. The Diocese will pay contractors and vendors from the appropriate Deposit and Loan Fund account.

In awarding a project to a contractor or vendor for repairs, renovations, or improvements to facilities, the parish, school, or other diocesan institution must receive certificates of insurance for contractor liability insurance, automobile liability insurance coverage, and workers compensation coverage. Work cannot start until the above certificates are received. It is recommended at least 10% of the total moneys on reserve in the Deposit and Loan Fund will be retained to meet any unforeseen needs of these projects and cost overruns.

Approved Projects Requiring Bishop's Signature on Contracts

Any project equal to or greater than ten thousand dollars (\$10,000.00) is a project requiring the Diocesan Bishop's signature on the standard diocesan contract form. The pastor or administrator of the parish, school, or other diocesan institution must receive the Diocesan Bishop's written permission to proceed with the project. The requests for the project must be signed by the pastor or administrator, and the chairpersons of the major advisory groups, for example, Parish Pastoral Council and Parish Finance Council.

Fundraising cannot begin until the project has been approved by the Diocesan Bishop. Money raised by fundraising is to be deposited in the Deposit and Loan Fund on a monthly basis. Funds raised through a capital campaign may not be used to offset a lack of cash flow on the local level.

Projects requiring the approval of the Diocesan Bishop must follow the Building and Remodeling Policy of the Diocese. This policy is available in the Diocesan Offices and requires a review of project plans by the Diocesan Building Commission.

Deposit and Loan Fund Priority List

Each parish, school, or other diocesan institution foreseeing a need for a building or renovation project must write to the Diocesan Bishop to request to be included on the Deposit and Loan Fund Priority List. This letter is to be written prior to the letter (noted in the Building and Remodeling Policy) that is written when a project is in the final planning stages. The Priority List inclusion letter should state what project is proposed, and timelines for planning and completion. This will enable the Diocese to process loan requests and return of deposited moneys in an orderly and fiscally responsible fashion. The letter must be signed by the Pastor or administrator and Chairpersons of the major advisory groups, for example the Parish Pastoral Council and Parish Finance Council. Subject to the Diocesan Bishop's discretion, the order of a particular project on the Priority List can change depending on the circumstances, i.e., shifts in population, economic conditions, or available cash. This list will be reviewed by the Diocesan Building Commission, the Diocesan Finance Council, the Presbyteral Council, and the College of Consultors before final approval by the Diocesan Bishop. The list will be posted on the Diocese of Helena website. Once a project has been approved and construction has started, it is moved to an active list.

Project Funding

Before a project involving major repair, renovation, or new construction can commence, the funding has to be secured by a combination of grants, firm pledges, and the ability to service a loan with current operating income. A recommendation for funding will be presented to the Diocesan Bishop by the Deposit and Loan Fund Committee following the application review process. This process will include completion of a project loan application, project current capital and future operational cost projections, and a multi-year budget projection.

Diocesan assistance is available for planning a successful capital campaign.

Amortization

A loan from the Deposit and Loan Fund will be amortized over fifteen (15) years, and can be for a shorter period of time or extended to twenty (20) years at the discretion of the Diocesan Bishop.

Parishes, schools, or other diocesan institutions are encouraged to pay off loans as quickly as possible. Any amount received in excess of the normal monthly payment in a given month is applied to principal. If the loan is current at the time of a final payment, all interest for the final month will be "forgiven". The final payment will be applied to pay off the principal owing thus retiring the debt.

If payments are not made in a timely manner on amortized loans in order to at least clear the interest due by each December 31 and June 30, the loan will revert to a non amortized loan and accumulated interest will be added to the principal each December 31 and June 30. With this

process, the diocese is not carrying large interest due balances for long periods of time without earning interest on the accrued interest.

Outside Borrowing

No parish, school, or other institution of the Diocese is allowed to borrow money from an outside source. All borrowing must be from the Deposit and Loan Fund according to the terms of this Policy.

Diocesan Assessment and ACA Goals during Building Projects

When a parish, school, or other diocesan institution is preparing for a building or renovation project costing ten thousand dollars (\$10,000.00) or more, funds raised specifically for the project will be reported under Non recurring Income and will not be subject to Diocesan Assessment or ACA goal setting. Those same funds are to be deposited in the Deposit and Loan fund on a monthly basis. This occurs from the date of written permission from the Diocesan Bishop for the planning to begin, and for up to three years before the building begins. In addition, funds raised to reduce the debt will be exempt from the Diocesan Assessment for two years after the building is completed.

Funding Property Acquisitions and Distribution at Sale of Property

The Diocese buys property for multiple future uses. Any property acquisition requires prior approval by the Diocesan Bishop. The purchase of property can be shared by the Diocese and a parish, school, or other diocesan institution. Holding costs, pending use, or sale of property at a later date will also be proportionately shared. Upon transfer of property to a parish, school, or other diocesan institution, or the sale of property to a third party, the Diocese will be paid its proportionate share based on the current market value. Market value will be established by a professional appraisal or by a market comparison analysis by at least two realtors.

Accounts Receivable

Those parishes, schools, or other diocesan institutions which have not paid the interest and a minimum of 10% of their diocesan billing for three consecutive months will be visited by a member of the Diocesan Staff to perform a review of the parish books. Under the direction of an appointed Diocesan Staff person, a Stewardship campaign or other fund raising campaign may be required.

After the second 90 days without substantial payment (minimum 50%), any balance 90 days or older will be charged interest at one half percent (1/2%) per month.

The Diocesan Bishop may appoint a financial administrator for the parish, school, or other diocesan institution if there has been no substantial response by the end of the budget year.

All diocesan bills (other than interest bills from the Deposit and Loan Fund) submitted to any parish, school, or other diocesan institution prior to May 1st that remain unpaid on June 30th of the same calendar year, will be added to the Deposit and Loan Fund debt of such parish, school, or other diocesan institution and interest will be charged at the normal interest rate beginning on

July 1st of the same calendar year. Such added debt will be subject to the Diocesan Policy regarding debt amortization.

Bills for interest from the Deposit and Loan Fund are rendered on June 30th and December 31st of each year. Any interest billed and not paid by the next billing date is added to the outstanding debt. Such added debt will be subject to the Diocesan Policy regarding debt amortization. Amortized debt payments are to be included in the yearly budget for expenses.

Approval

At its meeting on January 13, 2011, the Finance Council of the Diocese of Helena reviewed the foregoing Policy and recommended that it become the Policy of the Diocese of Helena.

At its meeting on March 21, 2011, the College of Consultors/Presbyteral Council recommended that this become the Policy of the Diocese of Helena.

This Policy for the Diocese of Helena is hereby approved and becomes effective May 1, 2011 for all entities of the Diocese of Helena.

March 25, 2011
Date

/s/ †George Leo Thomas
Most Reverend George Leo Thomas
Bishop of Helena

/s/ John W. Robertson
Reverend John W. Robertson, Chancellor