104 Financial Policies

104 FINANCIAL POLICIES

104.1 Scope:

The following financial policies apply to all projects, except Category II projects.

104.2 Financial Requirements:

Except in exceptional circumstances, as determined in the sole discretion of the Archbishop or the Executive Director of DMS, the Executive Director of DMS must confirm that the following requirements have been satisfied before project approval will be given.

104.2.1 Contingency Fund:

To be prepared for contingencies, the parish/school must have reserve funds in the InterParish Loan Fund (IPLF) sufficient to meet the parish/school's operating expenses for at least four (4) months. This amount is in addition to the cash amounts that the parish/school is required to have on hand.

104.2.2 Cash on Hand:

The parish/school must have cash on hand of at least 50 percent of the TPC prior to bid solicitation, and must have completed a budget or financial plan approved by the finance committee chair and parish corporators sufficient to complete the project. Funds equivalent to an additional 15 percent of TPC must be collected prior to project completion.

104.2.3 Financing Limit:

Financing for any parish/school construction/renovation project or property acquisition shall not exceed 35 percent of TPC, which includes, but is not limited to, construction costs, fundraising costs, architect/engineering fees, furnishings, escalation estimates, and appropriate project contingency reserves as reflected in the Project Cost Data Form, available here.

104.2.4 Loan Term:

The term on any loan required for construction, renovation, or property acquisition shall not exceed ten years. With respect to IPLF loans, the IPLF Loan Committee, in consultation with the parish/school, shall determine the loan term and amount.

104.2.5 Approval of Large Projects:

Projects with a TPC over $2.0 million or with expected debt of $1.0 million or more must be approved by the College of Priest Consultors and the Board of Financial Administration (BOFA), who recommend approval to the Archbishop. The Archbishop shall make the final decision regarding approval of the project, and issue his decision in writing.

104.2.6 TPC Increases:

Increases in TPC in excess of 5% must be approved by DMS.

104.2.7 Contingent Liability:

The limit for direct debt or for contingent liabilities of the Archdiocese will be determined by a formula approved by BOFA. BOFA shall review the contingent liability level on an annual basis to ensure that the Archdiocese’s credit rating remains at an acceptable level. Priorities for the authorization of loans will be assigned by the Executive Director of DMS in consultation with the appropriate divisions.

104.2.8 Compliance with Reporting and Payment Obligations:

Before a project may be approved, all required financial reports must be filed by the parish/school and all Cathedraticum payments, insurance bills and other open items must be paid in full. The parish/school must continue to comply with reporting and payment obligations throughout all stages of the project.

104.3 Funding for Category II Projects:

Generally, debt is not permissible for Category II projects. Exceptions for entities that do not have sufficient funds on hand to complete a project must be approved by the Executive Director of DMS prior to initiation of the project.

104.4 Fundraising Campaign Approval and Restrictions:

104.4.1 Fundraising Campaign Approval:

In order to conduct a fundraising campaign, the parish/school must submit a “Permission to Conduct a Fundraising Campaign” form, available here, and receive approval from the Archbishop.

104.4.2 Compliance with the Law:

All fundraising campaigns and activities shall be conducted in strict conformity with federal, state, and local laws.

Procedure:

A) No consideration (such as a discount or reduction in school tuition) shall ever be offered in return for a tax-deductible contribution.

B) Questions about fundraising activities should be directed to ALC.

104.4.3 Cathedraticum Tax Exemption:

A Cathedraticum tax exemption may be granted for an approved fundraising campaign for new construction, renovation, or loss

reconstruction to the extent not covered by insurance.

Procedure:

A) An exemption should be requested on an approved Archdiocesan permission form, available here, and submitted to the Executive Director of DMS for review and recommendation to the Archbishop.

B) The Archbishop will review for approval exemption requests recommended by the Executive Director of DMS.

C) Exemptions will ordinarily be limited to one (1) campaign (maximum three (3) years) and one (1) campaign extension (maximum three (3) years).

104.5 Project Financing:

104.5.1 Approval Required:

A parish/school seeking to borrow funds for the construction or substantial expansion or renovation of any facility must have the prior approval of the Archbishop. This approval will be determined during the Needs Analysis Study described in Section 105.3, "Feasibility Analysis and Planning."

104.5.2 IPLF Funding:

Projects requiring financing will request funding from the IPLF. To provide low-rate loans for capital projects, the Archdiocese has established lines of credit with financial institutions at favorable terms and conditions.

Procedure:

A) A parish/school seeking IPLF funding must submit the following project information:

- The reason for the loan application.
- The estimated costs of the project being funded in the standard format required by the Archdiocese.
- The projected source of funds for repayment

of the loan and estimation of probability of receipt of such funds.

- An operating budget for the present parish/school facilities and projected for ten (10) years after project completion.
- Reasonable projections (including lists of pledges receivable and collection projections) indicating that the borrower will meet its minimum cash requirement at the time of completion of the project.

B) Updated financial information must be provided at least annually.

C) The maximum amount of the loan will not exceed the borrowing level for the project as approved by AOB policy.

D) Before loan funds are advanced, the parish/school provide documentation demonstrating its compliance with the policies and procedures contained in this Section.

E) A Capital Projects Report, available here, must be submitted with the regular annual financial report.