



Archdiocese of Anchorage

Updated December 2009

Financial Administration Policies

The Church holds and administers temporal goods to serve the mission that the Lord has entrusted to the Church. Financial activities provide a process to properly record the life of the church and identify the assets given into its care. These activities can then be reported in a fair and consistent manner to show how the resources given into our care are used. The Archdiocesan Chancellor/Chief Financial Officer and finance staff are resources and available to provide technical assistance or make recommendations of other resources that are available to meet your needs.

Policy 1. Finance Councils

The Archdiocese is required by Canon Law to have a finance council. Each parish is required by Canon Law to have a parish finance council. The role of the finance council is fiscal stewardship. The finance council serves as an advisory body to the Archbishop or pastor, in the administration and stewardship of finances, budget, facilities, fundraising, and long-range financial planning.

- **Formation** – The Archdiocese/parish finance council is appointed by the Archbishop /pastor and is to include people with expertise in banking, finance, accounting, and property management. (For additional assistance in formation see: www.usccb.org, Finance Department, Diocesan Fiscal Issues, Chapter X111.)
- **Responsibilities:**
 - To advise the Archbishop/pastor on all matters of financial concern
 - To discern, through prayer and study, the proper stewardship of the parish funds and assets
 - To monitor and help interpret the monthly financial statements and budget compliance
 - To ensure that reconciliation of bank statements occurs on a monthly basis
 - To recommend the annual budget and monitor the financial life of the parish relative to budget.
 - To account to the Archdiocese/parish, at least annually, the financial condition of the Archdiocese/parish

The finance council does not:

- Establish priorities of the diocese or parish
 - Determine direction of programs of the diocese or parish
 - Hire, supervise or evaluate personnel
 - Determine what to cut or eliminate when trying to balance the budget
- **Responsibilities with regard to Alienation and Acts of Extraordinary Administration**
 - **For Alienation of Stable Patrimony and Acts of Extraordinary Administration** requires the permission of the Ordinary and in some cases the Holy See, if beyond the prescribed financial limits.

- **Maximum and minimum sums for alienation and for acts of Extraordinary Administration for 2009 are as follows:**
 - Maximum: \$5,705,000
 - The minimum limit for alienation and any transaction which, according to the norm of law, can worsen the patrimonial condition: \$571,000.
 - For **other juridic persons subject to the Diocesan Bishop**(*i.e. parishes/missions and agencies of the Archdiocese*) the new maximum sum for alienation is \$5,705,000 (raised from \$5,699,000) and the minimum is \$29000 (raised from 28,495) or 5% of prior year ordinary annual income, whichever is greater.
 - Parishes and agencies must seek the authorization of the Archbishop for any acts of Alienation or Extraordinary Administration which are greater than 5% of ordinary annual revenue.
- **Alienation** of property is when a juridic person divests itself of all or part of its stable patrimony.
 - A parish is a **juridic** person
 - **Stable patrimony** is defined in canon law as that property which is dedicated to the life of the church such as the church building and other property used in the daily course of life of the parish. This may not include land donated in a distant location which might be later sold.
- **Acts of Extraordinary Administration**
 - Acts of Extraordinary Administration are:
 - Initiating a program of financing by the issuance of instruments such as bonds, annuities, mortgages or bank debt in excess of minimum set in accord with canon 1292.1
 - Resolving an individual or aggregate claim(s) by financial settlement in excess of the minimum amount set in accord with Canon 1292.1
 - Engaging in the regular management or operation of a trade or business that is not substantially related to the performance of the religious, spiritual, educational or charitable purposes of the Church, for the purpose of generating income to carry on such activities
 - Entering into any financial transaction or contractual agreement, the terms of which address matters involving an actual or potential conflict of interest for the diocesan bishop, vicar(s) general, Episcopal vicar(s), auxiliary bishops(s) or diocesan finance officer
 - Filing a petition of relief under Title 11 of the United States Code (commonly referred to as the United States Bankruptcy Code).

Policy 2. Budgeting - Each juridic person (Archdiocese, parish and its missions, and agencies) will complete an annual budget.

- **Process**
 - The fiscal year runs from July 1- June 30. The annual budget will be compiled and completed by May 30th of each year.
 - A copy of parish and agency budgets shall be forwarded to the Archdiocesan Chief Financial Officer by June 30th of each year.
- **Accountability**

- There shall be, at a minimum, year-to-date quarterly financial statements provided to the Finance Councils/ Committees of each entity within 30 days after the end of each quarter.
 - Quarterly Financial statements of year-to-date versus budget are to be sent within 45 days at the end of each quarter except for the quarter ending on June 30th, to the Archdiocesan Finance Office.
- The annual financial statement is to be shared with the Finance Councils/Finance Committees within 60 days of the close of the fiscal year.
- Each Parish and Mission will provide an Annual Financial Report (Report Requirements- **Appendix F-1**), to the Archdiocesan Finance Office within 60 days of the close of the fiscal year.

Policy 3 - Accounting shall be completed in accordance with Accounting Principles and Procedures for Church and Church -Related organizations and generally Accepted Accounting Procedures and the Archdiocesan procedures below.

Procedures:

- **Accounting systems**
 - The Archdiocesan Accounting System is LOGOS
 - For parishes of larger than 100 families, the LOGOS Accounting Software is required.
 - For parishes and mission of 100 families or less, Quick Books may be used. Each parish/mission will use the same chart of accounts (Appendix F-2) which can be amended to fit local need with the approval of the Archdiocesan Finance Office.
- **Financial reporting**
 - **Monthly-** Archdiocesan Assessment Cash Flow Report, along with payment, is to be sent to the Archdiocesan Finance Office no later than the 25th of the following month. (Appendix F-3)
 - **Year- To - Date Financial statements** of balance sheet, income and expense statements are due within 45 days after the end of each quarter except for the quarter ending June 30th, to the parish and the Archdiocesan Finance Office.
 - **Annual Financial Statements** are due within 60 days after the close of the fiscal year, to the parish and the Archdiocesan Finance Office
 - Annual Report Requirements are provided in Appendix F-1
- **Archdiocesan Assessment**
 - The Archdiocesan Assessment (formerly called stewardship), is **14%** of the parish revenues.
 - **Exemptions** from the assessment are granted for the following:
 - **Revenue exemptions:**
 - **Building Funds** which have been approved by the Office of the Archbishop (**LOGOS code range- 4361-000-32 to 4371-000-32**)
 - **Investment and interest Income**
 - **USCCB Special Collections and Diocesan-wide approved special collections**(funds held for others)
 - **Parish Rebates** received from annual appeal efforts.
 - **Approved Subsidy** to parishes from the Archdiocese.
 - **Exemptions related to expenses:**

- **Financial Support of Archdiocesan Schools** is granted for the **amount of subsidy or donation that a parish gives directly to an Archdiocesan School from current income** (volunteer hours, donation of supplies and other in-kind contributions are not part of the exemption.) Parishes are required to provide documentation in accordance with the procedure in the Archdiocesan Financial Administration Policy.
 - **Parish Special Event Fundraisers** are assessed **only on net of income and expense**
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- **Procedures for reporting claim of exemption on the Archdiocesan Assessment Cash Flow Report (Appendix F-3)**
 - **Building Fund exemption** is granted by the Archbishop, usually in relation to a specific fundraising plan approval. (See Construction Guidelines for how to apply for this exemption.)
 - Documentation for initial claim of exemption includes copy of the Archbishops' approval letter. Future reports should show the effective date the exemption begins and ends.
 - **Parish Special Event Fund Raising-** income is reported as revenue and the expenses for the event are recorded in the "*adjustments to income*" section of the Archdiocesan Assessment Cash Flow Report. **Please identify the specific special event.**
 - **Exemption for Archdiocesan Catholic School Support** requires the at least one of the following forms of documentation when claiming an exemption:
 - With the first claim of exemption in a fiscal year, provide documentation of the Pastor's/ Parish Leader's decision, including any minutes which reflect consultation and dialogue with the Parish Finance Council, to provide financial support to the parish's school including an estimated dollar value of this support. This amount may be claimed 1/12th at a time, **but must be adjusted to actual in the final month of the fiscal year.** Please include documentation of any adjustments with the final month's report. For questions regarding documentation please contact the Archdiocesan Chief Financial Officer.
 - Copy of minutes where a specific decision to donate is made, along with copies of the check written for the donation.
 - Documentation of a decision to take up a parish special collection along with copy of the check making the donation
 - **Archdiocesan Subsidy** is automatically recorded in the adjustment section if using the new LOGOS custom report provided by the Archdiocese).
 - **Interest and Investment Income-** is recorded in the adjustments section and should match line E in the Total Revenue section of the report (input automatically if using LOGOS custom report provided by the Archdiocese.)
 - **Parish Rebates -** are recorded in revenue and automatically exempted if using the new LOGOS report form.

NOTE: No exemption will be honored if the documentation does not accompany the report.

Policy 4 – Checking Accounts and Investment accounts

Adequate financial controls to ensure the safety of funds in the care of the church are required. The following procedures are to ensure the safety of the funds:

- **Authorization for Signers**
 - Accounts may be opened or closed at the discretion of the pastor, however, the following requirements are to be adhered to:
 - **Opening an account**
 - Notify the Office of the Chancellor to request an updated Corporate Resolution which empowers the Pastor to open the account. The information required for this resolution is: Name of the institution(s), purpose of account(s), names of signers to be authorized, including the name of the Archbishop. There should be at least one other authorized signer at the parish level in addition to the Pastor.
 - Obtain signature cards and obtain all other signatures before sending to the cards to the Archdiocese for the Bishops' signature. After the Archbishop has signed and copies made of all pertinent materials, the signature cards will be returned to the parish for submittal to the financial institution. Copies should be made and kept in the parish files prior to submitting to the financial institution.
 - Any change of signature, requires that a copy of the updated signature card be sent to the diocese and a copy made for parish records.
 - **Authorization**
 - It is highly recommended that payroll checks be done by direct deposit. If this is not able to be accomplished, the following controls are to be in place:
 - The Pastor may not sign his own check, nor may any staff person sign their own check. Another authorized signer may sign.
 - Reimbursement refunds and checks to reimburse expenses may not be authorized nor signed by the person who is to be reimbursed. (i.e. the pastor may not be reimbursed with a check that he signs himself. His reimbursement requests must be accompanied by receipts and must be reviewed by another person and authorized as allowable in accord with either the priests' compensation plan or with the normal scope of parish work. Such as reimbursement for making a run to the hardware store for light bulbs for the parish offices.)
 - **Authorization for any payment** should have the following back-up:
 - Request for reimbursement accompanied by receipts
 - Signature of a person with oversight responsibility of the particular budget area affected.
 - An approved request is one where the amounts were a planned purchase or event and are within the scope of the approved parish budget.
 - **Pre-approval requirements for expenditures not within the scope of the approved parish budget:**
 - For amounts less than \$5,000, the Pastor may approve
 - For amounts over the \$5,000, the request must be reviewed by the Parish Finance Council , who recommend action to the Pastor.

Policy 4. - Construction Or Rehabilitation Projects

Parish and missions considering construction and/or rehabilitation projects must request approval from the Office of the Archbishop for following:

- Project concept
- Construction financing
- Permanent financing
- Capital Campaign
- Building Fund exemption

A parish or mission requesting approval for any of the above actions is required to submit the following to the office of the Archbishop:

- A report on the Financial Condition of the Parish responding to the questions outlined in Section A below.

A. Financial Condition of the Parish

The following minimum financial information is required in order to make an intelligent decision as to the ability of the parish to afford a project. Careful analysis is required prior to committing any significant funds.

Questions to consider when evaluating project feasibility:

- Is the size of the project appropriate for the size of the community?
- Is the parish community stable, growing or declining?
- Is the composition of the parish community such that those who are expected to contribute in the next 15-20 years will be able to meet existing daily expenses plus any project debt that may be incurred while maintaining a regular cash savings of 3 months reserves for all expenses at a minimum?
- What is the economic state of the area in which the parish is situated?
 - Is it growing, declining, stable?
 - Are there significant changes likely in the foreseeable future?
 - What might be the impact of those changes on the parish community?
- Fundraising rationale of the parish-
 - Can the parish population reasonably contribute the expected amounts given the demographics and current economic conditions?
 - Who will run the campaign and what will its focus be?
 - How will the financial records be maintained
 - How often and what kinds of reports will be provided to donors?
- Parish operating standards:
 - Under current operating conditions, what is the level of reserves in the parish?
 - Is the parish able to pay its routine bills and parish assessment on time?
 - Is the parish able to properly maintain the parish accounting records and other parish records?
 - Are the current parish properties being properly maintained?
 - Are parish staffs up to date and appropriately trained?

NOTE: Construction or rehabilitation projects and related fund raising campaigns place additional stress on parish personnel and systems. Are the parish systems operating well now, or does the parish need to improve its ability to operate under normal conditions before taking on the additional stress of construction or fund raising?

B. Financial and Project information:

a. Definitions:

1. Project costs include all land acquisition and development costs, architecture and engineering fees, permits, construction costs, necessary furniture and equipment, and financing costs, and contingency.
2. Contingency must be included in total project costs. Contingency must be 15-20% of total project cost for new construction and up to 25% for rehabilitation projects

b. Loan Policy:

1. Construction and permanent financing loans shall be no greater than 50% of project value, unless feasibility studies can show a higher mortgage can be carried by the institution.
2. Construction loan and permanent financing loan will be in place before construction begins.
3. 50% of the total project costs must be on deposit in the building fund prior to committing the parish to the construction project. Building funds collected and paid by the building fund against total project costs prior to the start of construction may be included in calculating whether 50% of the total project cost has been received prior to the start of construction. Actual or anticipated project contributions such as donated materials or services(in-kind) nor the value of assets not converted to cash, may not be included in total project costs or in calculating whether the 50% threshold has been met.
4. Change orders which increase project costs may not be approved unless and until sufficient funds have been collected by the parish to pay the additional costs. All change orders must be approved by the AOA Finance Council.
5. Contingency will be retained until the end of the project. Use of contingency requires the approval of the parish finance council , the building committee, the pastor and the AOA Finance Council.

c. Project feasibility

The expected number of households and projected income and expense growth for the parish, including the project, will demonstrate whether the proposed project is feasible. The projections will be supported by data which shows that any growth in household numbers and income is supported by local economic and demographic forecasts.

NOTE: The parish is required to maintain an operating reserve ratio of 1.2, i.e. (the revenue less expense) divided by revenue should equal 1.2 or greater. From revenue and expense, exclude any amounts which have a restricted purpose and cannot be used for specific operating budget items, such as special collections etc.)

C. Submittals for financial and project information requirement:

- A full report concerning existing and past loans, terms and payment history.

- Complete financial statements including Assets and Liabilities (Balance Sheet) and Income and Expense (ordinary income and expenses) during the past three (3) years and calculating the operating ratio for each year, identifying exclusions.
- Anticipated cash flow projection for the parish and the construction project, during the construction project period, showing uses of all funding sources(parish building funds, construction loan, other)
- A projected analysis of income and expenses for the five years following completion of the project.
- A comparison of parish offertory collections with estimated collection potential and the rationale which supports the proposed increase in collection potential
- A complete description of any fundraising and/or borrowing needed to finance the project.
 1. Fundraising plan (goal, process, costs, anticipated time frame, building fund exemption request, other)
 2. Construction financing(lender, terms, timeline, costs, etc)
 3. Permanent financing (lender, terms, timeline, costs, etc)

D. Process for Review and Approval of Construction and/or Rehabilitation projects

Review and approval by the Archbishop and his designees are required at various points. The following outlines the general sequence of events and tasks.

Step 1. Parish Master Facility Plan submitted for review and approval

Step 2. After approval of the master plan, any specific project begins with exploration and development of a concept identified in the Master Plan.

Step 3. Estimate the cost of the concept and identify method of meeting concept costs

Step 4. Submit concept proposal (including estimated total project costs and fundraising concept) for approval of concept and fundraising plan

Step 5. Execute design concept (design renderings only) and execute fundraising plan and begin collection of needed money

Step 6. When the goal of 50% of funds anticipated to be received has been put on deposit, move design concept to the construction drawing stage in preparation for cost estimation. Initial cost estimation should be done when construction drawings are at 50%.

Step 7. Identify and secure approval of a qualified project supervisor who will oversee the project and be responsible for keeping it on budget until completion.

Step 8. Determine financing plan, identifying construction and permanent lender. Submit total cost, financing plan and financial feasibility study for review and approval

Step 9. Move construction drawings to 70% completion and update cost estimates

Step 10. Review financial feasibility and prepare loan applications for permanent and construction financing. If there are significant changes in the initial cost estimates approved in step 7, do not make application without seeking review and approval of this change. Note: The additional funds necessary to pay any cost increases must be raised before advancing the project.

Step 11. When commitments for financing are received, and the funds required before construction have been received(see construction policy....) request approval to put the contract out to bid.

Step 12. Seek approval to begin construction(submittal is report of total construction costs, amount spent to date, amount of funds yet to be raised, total amount of funds currently on deposit; terms of the permanent loan commitment and the construction financing and update of any significant changes.