

Archdiocesan Deposit and Loan Fund (ADLF)

(Policy revised November 30, 2022)

The Deposit and Loan Fund (ADLF) is established by the Archdiocese to provide archdiocesan parishes, schools, and agencies with a source for low-cost funding for capital and technology projects. The ADLF policy is established by the archbishop with the advice and counsel of the Archdiocesan Finance Council. The ADLF is administered by the Chief Financial Officer of the Archdiocese.

The parishes, schools and agencies of the Archdiocese are the sources for funding the ADLF. Each parish, school, and agency are required to deposit into the ADLF funds on hand in excess of anticipated cash receipts and disbursements for the following ninety (90) days ("Excess Funds"). All Excess Funds must be deposited in the ADLF, and a parish, school or agency may not invest such funds or deposit them in outside financial institutions.

All deposits in the ADLF earn interest monthly at rates reviewed and determined on a regular basis, as needed based on market conditions. The deposit rate will be recommended by the ADLF committee and set by the Archdiocese at a rate in excess of the rates offered by local banking institutions throughout the Archdiocese for similar type savings accounts. Parishes, schools, and agencies shall have the right to withdraw deposits pursuant to established procedures.

Each parish, school and agency may request loans from the ADLF for capital and technology projects. Loans shall bear interest at rates reviewed and determined on a regular basis as needed by the Archdiocese. The loan rate will be set using a reasonable spread over the above determined deposit rate in order for the whole of the ADLF fund to operate at or slightly above break-even level. Loans shall be subject to approval pursuant to established procedures and shall be evidenced by promissory notes or other written agreements establishing repayment terms. Loan approval and disbursement is subject to availability of archdiocesan funds.

Parishes, schools, and agencies are prohibited from borrowing funds from any lender other than the ADLF without the express written consent of the archbishop.

A. Procedure for Deposits to Archdiocesan Deposit and Loan Fund

Excess Funds

Excess Funds are all funds on hand in excess of anticipated cash disbursements for the following ninety (90) days. Locations shall address the matter of excess funds on a regular basis, but no less than annually. When a parish, school or agency determines that it has excess funds on hand, the pastor, parish life coordinator, school president or agency director shall forward the excess funds to the ADLF. The deposit will be credited to the account of the parish, school, or agency. Deposits to the ADLF fund can be made by check or ACH. All funds raised or gathered resulting from fund drives for capital and technology projects must immediately be deposited in an ADLF account and remain on deposit until the designated projects require those funds.

Interest

Interest will be earned on deposits and will be credited to the account monthly. Interest will be computed at the rate in effect for the month. Monthly statements are made available via the ADLF system.

Withdrawals

Withdrawals of deposits can be made upon application signed by the applicable combination of the following: pastor, parish life coordinator, administrator, school president, agency director, president of the parish (or agency) council and chairperson of the finance committee.

Withdrawals of deposits related to certain facility construction and/or major repairs must also be reviewed and approved by the Archdiocesan Director of Management Services or his designee before requests can be processed.

B. Procedure for Loans from Archdiocesan Deposit and Loan Fund

Applications

Applications for ADLF loans for capital and technology projects shall be submitted on the ADLF Loan Request Worksheet to the Office of Accounting Services. Each application shall include a clear description of the need for the loan, indication of Archdiocesan Building Commission approval of the project if applicable, an updated 3-year capital budget form if applicable, the ADLF Loan Worksheet and a proposed repayment plan that reflects cash projections and pledge collections.

In order to gain a positive recommendation by the ADLF Committee:

Capital Loans (long and short term)

- Must have 50% of all required funds on deposit in ADLF
- Remaining project balance of the required funds plus interest must be supported by collectible pledges and or capital fee assessment.
- Short-term repayment shall follow the anticipated collections period for pledges; typically between three and five years.
- Long-term repayment terms proposals will be reviewed independently.

Technology Loans (Major technology projects only)

- High schools must have 50% of all required funds on deposit in ADLF.
- Elementary schools must have 70% of all required funds on deposit in ADLF.
- Must demonstrate dedicated cash flow to cover remaining project cost.
- Recommended two-year repayment term, maximum three years.
Request must address plans for insurance program.

Capital Loans Under Special Conditions

Due to unforeseen circumstances or in times of emergency conditions, we recognize that parishes, schools, and agencies may want to request an ADLF loan for a capital project that falls outside the stated requirements noted in the policy above for capital loans. These loan requests may also arise because it is not feasible, for a variety of reasons, to execute a capital campaign for the noted project. In these cases, it's imperative that the parish, school, or agency work closely with a member of the Archdiocesan Finance Team to build a loan

request that meets as many of the criteria noted below prior to presentation to and consideration by the ADLF committee.

- Loan request could be for a capital project that is critical to the organization's (parish, school, or agency) mission for which conducting a capital campaign is not feasible at the time
- Loan request could be for a capital project that is of an emergency nature for which conducting a capital campaign is not feasible at the time
- Project costs have been analyzed and reviewed by the Archdiocesan team to ensure they are reasonable, accurate and completely necessary at this time
- Parish is dedicating as much cash as possible to this project while not depleting their operations/savings below a safe level. While the Archdiocese defines an operating cushion to be 3 months of cash on hand, the parish should maintain that amount at a minimum and consider other potential unforeseen items when setting this safe level.
- The ADLF loan requested in these instances is likely to be backed by an annual operating surplus. The terms of the loan will then be dictated by the number of years of operations needed to generate cash flows to pay-off the ADLF operating loan. The parish may have other sources of cash flows that could be used as well. The organization should demonstrate the predictability and sustainability of these cash flows in order for them to support the ADLF loan request.
- Typically, an ADLF loan request using operations/cash flows for pay-off would be for a term not to exceed 3 – 5 years with a strong preference for as short a term as possible without jeopardizing the mission and ministry of the parish.

In the event an ADLF loan request is made and granted under conditions outside the stated requirements of the ADLF policy, The Chief Financial Officer and/or its delegate will meet periodically with the organization to monitor and report internally on the overall financial condition of the organization and its ability to continue to meet its obligations under the ADLF loan agreement.

All loans and any exceptions to these requirements are subject to the approval of the archbishop in consultation with the Archdiocesan Finance Council.

Loan Request Information

- An 8 percent allowance for uncollectible pledges
- The capital fee assessment is applicable to schools only, must have already been in existence for one school year, and may not already be included in the school budget for operational purposes.
- Pledges are subject to archdiocesan audit verification.
- Pledges and capital/technology fees are to be due over the duration of the loan
- The ADLF Loan Review Committee may request additional information or oral presentations.
- Loans may utilize future distributions from an existing Catholic Community Foundation endowment account for loan repayment purposes provided that these distributions are not currently included in the parish or agency operating budget and are available for debt service.

Loan Approvals

The ADLF Loan Review Committee and the Archdiocesan Finance Council will review the application and present a positive or negative recommendation to the archbishop. The archbishop's decision will be immediately communicated in writing to the pastor, parish life coordinator, administrator, school president or agency director.

Upon approval, the loan shall be evidenced by a promissory note signed by the pastor, parish life coordinator, administrator, school president or agency director. The promissory note will reference a repayment schedule also provided at this time by the Office of Accounting Services.

Funds Disbursement

The pastor, parish life coordinator, administrator, school president or agency director shall advise the Office of Accounting Services when loan funds are needed to fund the project. The request for funds shall be accompanied by copies of the contractor's or vendor's invoices totaling the sum requested.

Loan Interest

Loans outstanding will bear interest at the rate in effect at the time. Interest will be computed at the end of each month on the average daily balance. Monthly statements are made available via the Archdiocesan website. Any changes to the variable interest rate made during the course of loan repayment will not be reflected as a change in the monthly payment amount but rather extend or shorted the term of the loan.

Repayment

All loans shall be repaid in accordance with the repayment schedule established at the time the loan application was approved. The pastor, parish life coordinator, administrator, school president or agency director will notify the chief financial officer as soon as it becomes apparent that any scheduled repayment cannot be made.

ADLF Deposit and Loan Documents are available on the Archdiocesan website at:

<http://www.archindy.org/finance/parish/forms.html>