



Policy Regarding Central Finance

[*Owner: Office of Finance and Accounting*]

The Central Finance Plan of the Diocese of Houma-Thibodaux is a cooperative deposit and loan program among the parishes, schools, institutions and chancery whereby deposits of surplus funds and loans to parishes and institutions are made.

Section I

The policies under which it operates are as follows:

1. Accounts in the Central Finance Plan consists of:

1.1 Regular Deposit accounts-These funds are placed on deposit and are subject to withdrawal on demand.

1.1.2 Parishes and schools are encouraged to keep about one month's worth of expenditures in parish and school checking accounts and the amount over that should be forwarded to the parish or school regular deposit account or a payment on the debt.

1.1.3 Funds in regular deposit accounts can be withdrawn with no advance notice for any operating expense or any approved project or capital expenditure. Parishes and schools are asked to plan large withdrawals with the Office of Finance and Accounting.

1.1.3 Because of the collaborative effort of the Central Finance plan, parishes, schools and Diocesan entities are not permitted to maintain external savings accounts or to have loans with external financial institutions.

1.2 Endowment Fund accounts-These funds are placed in the Central Finance plan on a relatively permanent basis.

1.2.1 As a result of the restructure of the Catholic Foundation of South Louisiana in 2017, any new funds given to a parish or school for an endowment should be invested with the Catholic Foundation of South Louisiana.

1.2.2 Existing endowment funds with Central Finance will remain with Central Finance and follow the policies governing Central Finance endowments contained in Section II.

1.3 Loans to parishes, schools and other Diocesan institutions-These loans are made for capital improvements, building projects and operating expenses.

1.3.1 Only parishes, schools and Diocesan institutions are eligible to make loans with our system and in the following circumstances:

1.3.1.1 The loan will be made if the project or capital expenditure for which the loan is needed has been approved by the Office of the Vicar General of Administration. Approval of a loan will be made simultaneously with the approval of the project.

1.3.1.2 Loans are made to parishes for operating expenses when the regular parish deposit account has a zero balance. Loans to cover parish or school cash flow problems can be requested by the pastor or principal/president of Diocesan schools.

2. Interest rates paid on deposits and charged on loans are approved by the Diocesan Bishop with recommendations from the Diocesan Finance Council. In November of each year, the budget for Central Finance is prepared and interest rates for regular deposit accounts, endowment accounts and loans are reviewed and/or updated at that time. New rates are effective June 21st.

2.1 Interest is credited monthly to the appropriate account as of the 20th of each month and calculated on the daily balance of both deposits and loans.

2.1.1 For regular deposit accounts, interest is credited to that account.

2.1.2 For endowment accounts, interest is credited to the regular deposit or loan account of the parish or school to which it belongs.

2.1.3 For internal deposit accounts, interest is credited to the proper income account of that ministry.

2.1.4 Interest on loans is recorded to the loan account. (i.e. the interest charged is added to the balance of the loan.

3. Regular deposit account funds are derived from funds over one month's worth of expenditures in parish and school operating accounts. The amount over that should be forwarded to the parish's or school's regular deposit account or payment on the debt.

3.1 Regular deposit accounts can be withdrawn with no advance notice for any operating expense or any approved project or capital expenditure. Parishes and schools are asked to plan any large withdrawals with the Office of Finance of Accounting.

4. Due to the complexity of managing stocks, bonds and other investments, parishes, schools and Diocesan entities are not permitted to own stocks or bonds of other entities.

4.1 If a donor wishes to donate such investments to the parish, school or Diocesan entity, the donor or location should contact either the Executive Director of the Catholic Foundation of South Louisiana if the donation will become an investment in the CFSL or the Diocesan Director of Finance and Accounting if the donation will be deposited in the locations's Central Finance deposit account or as a payment towards a debt. The appropriate Diocesan official will assist the donor with steps necessary for the donations.

4.2 Both the Catholic Foundation of South Louisiana and the Diocese maintain a relationship with a broker who will convert the donated investments into cash as soon as possible. Using the donor's instructions, cash proceeds from such investment sales will be invested in the Catholic Foundation of South Louisiana or deposited in the appropriate Central Finance deposit account or as a payment towards a debt.

5. All locations are strongly encouraged to use electronic banking for Central Finance transactions. The federal ACH (automated clearing house) system is used to facilitate electronic banking transactions. This system takes one banking day for delivery of funds. In the event of an emergency, a check can be picked up at the Pastoral Center.

6. Central Finance funds are invested as of this printing (January 2020) with Hancock Whitney Trust, UBS TCW Core and Mission Diocese Fund. The Diocesan Finance Council and the Office of Finance and Accounting review the performance of the investments with the investment managers at least semi-annually. The investment managers provide performance information monthly.

Section II ENDOWMENTS

IN CENTRAL FINANCE

1. Endowments should now be established with the Catholic Foundation of South Louisiana. Endowments are permanently restricted by the donor and only the income earned on these funds will be available for use. The use of the principal will never be allowed. Endowments will follow the policies and agreements signed with the Catholic Foundation of South Louisiana.

1.1 Endowments that were established in the Central Finance Plan were placed there on a relatively permanent basis, with a restricted option to withdraw some of the principal of the fund after a minimum of 10 years for the benefit of the endowed institution or program, under

certain very restricted conditions, always subject to the written approval of the Bishop or the Vicar General of Administration.

1.1.1 The ability to withdraw some of the principal of the fund will be governed by the original documents that show the intent of the donor.

2. Sources of Endowment Funds

2.1 Development efforts established to grow the endowment shall be conducted in a manner consistent with the support of the Catholic Foundation of South Louisiana. Planned giving programs and gifts from estates, unless otherwise restricted by the donor or the Diocese, should be placed in an endowment for a parish, school, or institution as they are one time legacy gifts and should be treated as such.

2.2 All contributions accepted by parishes, schools, or institutions for a specific endowment fund should be deposited with the Catholic Foundation of South Louisiana.

2.3 If a parish, a parochial school or a diocesan high school is the beneficiary of an unencumbered bequest, in which the donor has not specified that the bequest be endowed or used for a specific purpose, the pastor, the principal, or the president should consider endowing such a legacy gift with the Catholic Foundation of South Louisiana.

2.4 Funds derived from current income sources, reserves accumulated from prior years, or unrestricted donations may be deposited into the endowment account under the following conditions:

2.4.1 a thorough financial analysis of the parish or school should be prepared with attention to the financial health of the parish or school and future capital improvements and repairs.

2.4.2 a minimum of 10% of a parish, school, or institution's prior year's gross revenue is recommended to be in accumulated reserves; and reserves must remain at this level after a deposit. (A parish, school, or institution is encouraged to set a goal of 25% of its prior year's gross revenue to be kept on reserve.) Schools must send a copy of their request to the Superintendent of Catholic Schools.

2.5 If a parish, a parochial school or a diocesan school receives funds derived from sources other than those described from 2.1 to 2.4 above (for instance, sale of real estate or other assets), the pastor, the principal or the president should consider creating an endowment in the Catholic Foundation of South Louisiana.

3. Earnings from Endowment Funds

3.1 Interest on endowment funds in Central Finance is paid monthly (on the 20th of each month) at 1 % more than the rate paid on regular deposits (therefore, 1.5% under the current structure).

3.1.1 Interest on endowments is credited to the regular deposit account of the institution for which the endowment has been established. For instance, if an endowment were established for E. D. White High School, the interest on that fund would be credited to the regular deposit account of E. D. White High School, which can be drawn upon request of the school for any purpose benefiting that school.

3.2 The use of the endowment income for the purposes outlined in the endowment instrument is the sole responsibility of the administration of the endowed institution or program, with the administration accountable to the Diocese and to the local endowment committee (if there is one).

3.3 Catholic Foundation Endowments are paid out annually at the beginning of the fiscal year. The distribution from any endowment with the Catholic Foundation of South Louisiana is based on the three year moving average of the fund and follows all CFSL bylaws and policies.

4. Endowment rates will be paid on our Seminary Burses and other such internal permanent investments which may be established in the future in our Central Finance Plan.

DISSOLUTION

If, for any reason whatsoever, it becomes impractical or impossible to carry out the purposes set forth by the endowment policy for a parish, school, or institution, then the Vicar General of Administration is empowered to dissolve said endowment account and to take such action as may be necessary and appropriate to terminate the account and distribute the balance as follows:

1. In the event a parish is suppressed, funds would be distributed in accordance with the requirements set forth by the Code of Canon Law;
2. In the event a parochial school is closed, the funds will be distributed to its church parish for the explicit purpose of Catholic education;
3. In the event a Diocesan school is closed, funds will be distributed to the Diocese for the explicit purpose of funding Catholic school education;

4. In the event a Diocesan institution is dissolved, funds will be distributed to the Diocese; and
5. All distribution of funds, as a result of a dissolution, are to be made in accordance with the intent of the endowment.

Section III

PROFIT SHARING IN CENTRAL FINANCE

1. The Central Finance Plan of the Diocese of Houma-Thibodaux includes a plan for profit sharing. By profit sharing is meant that the net income or profit from our Central Finance Plan is shared with all depositors. Net income or profit is defined as the total income (interest and realized capital gains) of our Central Finance Plan, less the total interest paid by our Central Finance Plan, less Central Finance operational expenses.
2. Annually the Diocesan finance council will analyze the accumulated central finance net income or profit and determine an amount, if any, that will be used to profit share with the depositors and in determining the rates paid to depositors.