Investments and Financing

1. Investments

A. **Unrestricted Reserve** - Every parish and mission should work towards having an unrestricted reserve fund of at least 50% of ordinary income, i.e., six months of operating expenses. Ordinary income is the total of offertory income, unrestricted interest and dividend income, and net parish activity income.

B. **Endowment Fund or Catholic Foundation of NWPA -** Establishing or growing an endowment fund is recommended. If you need assistance, the Catholic Foundation of NWPA can provide endowment services, including endowment creation, management, and investment advice. Please contact the Office of Financial Services for endowment guidelines.

C. **Catholic Deposit and Loan Fund of NWPA** - All parishes, schools, and cemeteries are expected to comply with the requirements of the Catholic Deposit and Loan Fund, which generally include the depositing of at least 50% of non-endowment reserves. The Catholic Deposit and Loan Fund accepts deposits from parishes and other Catholic entities, enabling other parishes and Catholic entities that need financing to borrow money to help pay for various projects. The rate of return on the deposits is guaranteed and approximates the three-month U.S. Treasury Bill rate. Interest paid on deposits is not subject to Diocesan assessment.

D. **Review of Investment Strategy** - The Pastor and Finance Council should adopt a written investment policy and review the investments at each meeting. Consideration should be given to investing at least a portion of the portfolio in financial instruments that could potentially increase the amount invested through capital appreciation over the long run. The use of registered investment managers for large accounts (e.g., Endowments, Cemetery Perpetual Care) may be considered. The Prudent Investor Rule applies for all parish investments, i.e., a duty exists to invest and manage the funds as a prudent investor would, in light of the purposes, terms, distribution requirements, and other circumstances of the particular account. It is also important to be aware of the magnitude of all fees associated with your investments.

2. Financing

A. **Diocesan Review** – Approval should be obtained for all borrowings (e.g., loans, credit lines). The Finance Council should also be consulted before any borrowings.

B. **Capital Project Financing** - Borrowings for capital renovation projects and the repayment plan and schedules should be identified early in the planning process. The borrowing options are:

1) The Catholic Deposit and Loan Fund provides competitive loan terms and is designed to accommodate most types of parish borrowings. The loan rate approximates the prevailing, publicly announced prime rate charged by commercial banks to their preferred customers. Please check the Diocesan website for the current rates. Loan requests must be approved by the Executive Director. Please contact the Office of Financial Services at least one month before the funds are needed.

2) Financial Institutions may be suitable sources for borrowing for certain major projects. However, it is recommended that the office of Financial Services be contacted well in advance of any such borrowing by parishes as diocesan approval is usually required.

3) Borrowing arrangements with parishioners or other individuals are permissible. Any such financial obligations should be properly documented and reviewed by the parish attorney. If necessary, please consult the Office of Financial Services for advice regarding this type of financing.