

ARCHDIOCESE OF SEATTLE

SECTION G

PRF SAVINGS AND LOAN OPERATIONS

INDEX

| | | |
|-------------|--|----------------|
| I. | PARISH REVOLVING FUND (PRF) | 1G |
| II. | SAVINGS ACCOUNT OPERATIONS | 1G – 3G |
| III. | LOAN ACCOUNT OPERATIONS | 3G – 5G |
| | APPENDIX G-1: Amortization Schedule | |
| | APPENDIX G-2: Loan Payment Activity Statement | |
| | APPENDIX G-3: Withdrawal Request Form | |

PRF SAVINGS & LOAN OPERATIONS

Parish Revolving Fund (PRF)

The Parish Revolving Fund is the savings and loan organization administered by the Archdiocese. The PRF is entirely funded by parish deposits and was established to allow parishes to assist each other by providing funds for loans at lower-than-market interest rates. The interest rates as of this publication are 5% for savings accounts and 6.75% for loans.

Parishes with funds in excess of those needed to meet 45 days of parish operations are required by Archdiocesan policy to deposit the funds into the PRF.

Parishes may have multiple PRF savings accounts. There is no limit to the number of accounts a parish chooses to maintain.

Loans made from PRF deposits are granted by the Archbishop after approval by the PRF Commission. For more information, contact the Director of Parish Financial Services (206) 382-4585 or (800) 768-7986.

Archdiocesan Revolving Fund (ARF)

The Archdiocesan Revolving Fund was established for non-parish Archdiocesan organizations (e.g. Archdiocesan High Schools) and no parish funds are included in the ARF. For further information, contact the Director of Parish Financial Services (206) 382-4585 or (800) 768-7986.

SAVINGS ACCOUNT OPERATIONS

New Accounts

To open a savings account, send a check payable to "C.C.A.S." or "P.R.F." to *Parish Financial Services* with a brief, written request that the account be opened and a title of the account (e.g. Church Renovation, Food Bank). The request must be signed by an Authorized Signer (usually the pastor). You will receive a savings account number which will appear on your quarterly statement.

Deposits:

To make a deposit, send a check payable to "C.C.A.S." or "P.R.F." to *Parish Financial Services*. There are three important items to remember when sending your payment

1. **Address the envelope to the attention of the PRF.** If this is not done, processing could be delayed.
2. **Include your savings account number on the check.** All deposits are credited to your account on the day received. Failing to include your savings account number, particularly if your parish has multiple accounts, may cause a delay or an error in crediting the deposit to the correct account.
3. **Do not combine PRF deposits or loan payments with other Archdiocesan payments.** The PRF is a separate fund. Combining PRF transactions with others on the same check will slow processing by at least 1 day and possibly up to 3 days.

When you deposit funds into the PRF, you are simply transferring assets from one place to another. Deposits and transfers of cash do not represent expenditures, even though you will record them as cash disbursements. The transaction, in your disbursements journal, should look like this:

| ACCT # | DESCRIPTION | DEBIT | CREDIT |
|--|-----------------------|-------|--------|
| 1160 | Cash in Savings – PRF | 1,000 | |
| 1115 | Cash in Checking | | 1,000 |
| To transfer excess funds to PRF savings. | | | |

Withdrawals:

The procedure for withdrawing funds from an existing savings account is as follows:
Send a completed withdrawal form (Attached as Appendix G-3) signed by the pastor or other Authorized Signer, requesting a withdrawal of funds. It is important that the account number be included on the withdrawal form. The withdrawal request should be sent to Parish Financial Services and addressed to the attention of the PRF. Faxed requests (206) 382-4279 will be processed, but the original must follow by mail.

PRF withdrawals are approved, in all cases, by the Director of Parish Financial Services and, if the request is the result of construction or maintenance activity, the Director of Property and Construction Services. PFS will process the request and disburse the funds by the end of the second business day in the case of operational withdrawals and by the end of the second day following Property and Construction approval in the case of building and maintenance requests. It is critical that appropriate documentation be sent to Property and Construction either in advance of or with the withdrawal request.

PFS will either issue a check to the parish or electronically transfer the funds. The withdrawal form includes spaces for account and routing numbers.

Withdrawals of savings deposits do not represent revenue to the parish. They are simply transfers of assets. When the parish receives the funds, the event is entered as a cash receipt as follows:

| ACCT # | DESCRIPTION | DEBIT | CREDIT |
|---|-----------------------|-------|--------|
| 1115 | Cash in Checking | 1,000 | |
| 1160 | Cash in Savings – PRF | | 1,000 |
| To record the receipt of a PRF withdrawal | | | |

Bank Terminology:

Remember that the bank's (PRF's) financial records are the opposite of yours. When you make a deposit, you are **debiting** your savings account while the bank is **crediting** your account. Your deposits are assets to you, but liabilities to the bank. So, when the bank tells you that they have "credited" your account, that's good for your parish.

Interest Income:

Parishes receive PRF savings account statements on a quarterly basis. This statement details the beginning balance in the account, any deposits or withdrawals for the quarter, the interest earned since the previous statement, and the ending balance. Statements can be received monthly by request.

The interest earned represents income to the parish and it increases the balance in the parish's PRF account. To record interest income, a journal entry is required since the interest income is not represented by a cash receipt. The following General Journal entry is made:

| ACCT # | DESCRIPTION | DEBIT | CREDIT |
|--|-----------------------|-------|--------|
| 1160 | Cash in Savings – PRF | 335 | |
| 4501.10 | Interest Income – PRF | | 335 |
| To record interest earned on savings and to adjust the cash account accordingly. | | | |

After this adjustment is made, the ending balance on the quarterly Archdiocesan savings statement should agree to the balance in the parish financial records. However, you may have reconciling items if deposits or withdrawals occurred after the statement date. The PRF accounts, like any bank accounts, should be reconciled when the statements are received.

LOAN ACCOUNT OPERATIONS

When a parish receives a loan from the PRF, it has incurred a liability. Loan proceeds do not represent revenue to the parish. Likewise, loan principal payments are not considered expenses of the parish, but rather are decreases in the PRF Loan liability account. Loan interest payments are, however, an expense to the parish.

The receipt of loan proceeds should be reflected in the parish as a cash receipt as follows:

June 30th

| ACCT # | DESCRIPTION | DEBIT | CREDIT |
|---|------------------|--------|--------|
| 1115 | Cash in Checking | 60,000 | |
| 2301 | PRF Loan | | 60,000 |
| To record the receipt of PRF loan proceeds and to record the related liability. | | | |

Loan Payments:

When payments are made on a PRF loan, a portion of the payment reflects the interest charged for borrowing money and the remaining amount represents a payment on the principal which reduces the outstanding balance of the loan. Make sure to include your loan account number on the check when making payments as well as on withdrawal requests.

The loan amortization table indicates the payment split between interest and principal. Appendix G-2 is a sample of the quarterly PRF loan statement. Using the loan amortization table in Appendix G-1, the loan payments should be recorded as follows:

July 31

| ACCT # | DESCRIPTION | DEBIT | CREDIT |
|--|------------------------|--------|----------|
| 2301 | PRF Loan | 833.84 | |
| 5505-10 | Interest Expense – PRF | 366.16 | |
| 1115 | Cash in Checking | | 1,200.00 |
| To record the first payment on the PRF loan. | | | |

August 31

| ACCT # | DESCRIPTION | DEBIT | CREDIT |
|---|------------------------|--------|----------|
| 2301 | PRF Loan | 860.81 | |
| 5505-10 | Interest Expense – PRF | 339.19 | |
| 1115 | Cash in Checking | | 1,200.00 |
| To record the second payment on the PRF loan. | | | |

September 30

| ACCT # | DESCRIPTION | DEBIT | CREDIT |
|--|------------------------|--------|----------|
| 2301 | PRF Loan | 876.53 | |
| 5505-10 | Interest Expense – PRF | 323.47 | |
| 1115 | Cash in Checking | | 1,200.00 |
| To record the third payment on the PRF loan. | | | |

All PRF loans are simple interest loans. This means that if payments are made on time, the interest and principal amounts detailed on the loan amortization table (Appendix G-1) should agree to the interest and principal amounts listed on the loan payment activity statement (Appendix G-2). Interest is calculated daily and, if payments are made late, additional interest will be charged. Conversely, if payments are made early, the interest will be decreased.

For example, if the \$1,200 payment due on September 30th was paid on October 15th, the interest expense is \$485.21 and the amount of principal payment is \$714.79. An adjustment must be made to correct the ending loan balance.

This amount is determined by comparing the ending balance on the loan payment activity statement (Appendix G-2) with balance in account 2301 – PRF Loan. Such a comparison is illustrated below:

| | |
|---|---------------------------|
| Ending Balance - quarterly statement | 57,590.56 (credit) |
| Ending Balance - Parish Books (★ see example) | <u>57,428.82 (credit)</u> |
| DIFFERENCE | 161.74 (credit) |

To correct the parish financial records, the following adjustment is made:

| ACCT # | DESCRIPTION | DEBIT | CREDIT |
|-----------------------------|------------------------------|--------|--------|
| 5505-10 | Interest Expense – PRF / ARF | 161.74 | |
| 2301 | PRF Loan | | 161.74 |
| To adjust PRF Loan balance. | | | |

★ Example of Ending Balance in Parish Books

The ending loan balance per the parish books follows:

| | | |
|-----------------------|----------|--------------------|
| Original Loan Balance | | 60,000.00 (credit) |
| Less 3 payments | <833.84> | |
| | <860.81> | |
| | <876.53> | |
| | | <u>2,571.18</u> |
| Ending Loan Balance | | 57,428.82 |

The parish could also choose to adjust the PRF loan balance and record interest expense on a quarterly basis when the loan statement is received. Another approach is to adjust the loan balance at the end of the fiscal year.

If this option is selected, the entire payment is debited to expense when made. The adjusting entry decreases the expense (a credit) and reduces the loan balance (a debit). This method is most useful if the report recipients are not proficient in double entry accounting.

After this entry, the ending balance in the PRF Loan account will agree to the ending balance on the loan account statement (Appendix G-2) as follows:

| | |
|--|-----------------------------------|
| Beginning Balance Parish PRF Debt (#2301) | <60,000.00> (credit) |
| PRF Payments – principal portion | 2,409.44 (debit) |
| Corrected Net Ending Balance Parish PRF Loan | <u><57,590.56> (credit)</u> |
| Ending Balance from Exhibit A | <u><57590.56> (credit)</u> |
| DIFFERENCE | 0.00 |

Your loan amortization schedule is an estimated breakdown between principal and interest for each of your loan payments. Due to the timing of each parish’s check-writing and to the variability of mail service, it is doubtful that your payments will always be received by Parish Financial Services exactly on their due dates. For this reason, it will usually be necessary to make adjustments to your ending loan balance. If the parish requests, Parish Financial Services will transfer the payment from the parish’s savings account to the loan on the correct date.

You may use the loan amortization schedule as an estimate of the interest and principal breakdown of your payments, or you may employ the method of coding your entire payment to expense, adjusting the ending balance later. This decision will normally be based on the wishes of the Pastor and / or Finance Council. Reports must be understandable to the persons receiving them.

FINAL NOTE & SUMMARY

The PRF is the Savings and Loan entity for Parishes. As of the date of this publication, PRF savings accounts pay interest at 5.00% APR compounded quarterly, while loans are granted at 6.75% APR simple interest to parishes who have invested in the PRF (savings accounts). The interest rate is guaranteed for the first 5 years of the loan, at which time the interest rate may be adjusted. For further information, call the Director of Parish Financial Services at (206) 382-4585 or (800) 768-7986.

Savings deposits, withdrawals, loan proceeds and principal payments are not revenue or expenses. Interest paid is an expense and interest received is revenue.

ARCHDIOCESE OF SEATTLE
 710 Ninth Avenue
 Seattle WA 98104-2017
 Tel: (206) 382-4845

| |
|---------------|
| MATURITY DATE |
| 6/30/2011 |

OUR LADY OF POSITIVE CASH FLOW
 1213 Paradise Road
 Heaven Bend, WA 98765-4321

AMORTIZATION SCHEDULE

Tel: (123) 456-7890
 Fax: (123) 456-6789
 Email: paa@parish.net

MID/Account #
 #888 L120628
PRF: Renovation Project

| | |
|--------------------|---------------|
| APPROVED LOAN | DATE APPROVED |
| 60,000.00 | 6/28/2007 |
| Total Amount Drawn | As of: |
| 60,000.00 | 6/28/2007 |

PRINCIPAL BALANCE AS OF: 6/30/2007 60,000.00
 ACCRUED INTEREST AS OF: 6/30/2007 22.19

| | | |
|---------------------------|-----------|-----------|
| INTEREST RATE | 6.75% | ANNUAL |
| LOAN TERM (MONTHS) | 48 | PAYMENT |
| MONTHLY PAYMENT | 1,200.00 | 14,400.00 |
| QUARTERLY ADDITIONAL PMT. | 0.00 | |
| ANNUAL ADDITIONAL PMT. | 0.00 | |
| BALLOON PAYMENT | 13,862.77 | |

| PMT # | DATE | PAYMENT | INTEREST | PRINCIPAL | ENDING BAL |
|-----------------------------------|------------|-----------|----------|-----------|------------|
| Unpaid Interest as of 06/30/2007: | | | 22.19 | | |
| 1 | 7/31/2007 | 1,200.00 | 343.97 | 833.84 | 59,166.16 |
| 2 | 8/31/2007 | 1,200.00 | 339.19 | 860.81 | 58,305.35 |
| 3 | 9/30/2007 | 1,200.00 | 323.47 | 876.53 | 57,428.83 |
| 4 | 10/31/2007 | 1,200.00 | 329.23 | 870.77 | 56,558.06 |
| 5 | 11/30/2007 | 1,200.00 | 313.78 | 886.22 | 55,671.84 |
| 6 | 12/31/2007 | 1,200.00 | 319.16 | 880.84 | 54,791.00 |
| 7 | 1/31/2008 | 1,200.00 | 313.25 | 886.75 | 53,904.25 |
| 8 | 2/29/2008 | 1,200.00 | 288.30 | 911.70 | 52,992.55 |
| 9 | 3/31/2008 | 1,200.00 | 302.97 | 897.03 | 52,095.52 |
| 10 | 4/30/2008 | 1,200.00 | 288.23 | 911.77 | 51,183.76 |
| 11 | 5/31/2008 | 1,200.00 | 292.63 | 907.37 | 50,276.39 |
| 12 | 6/30/2008 | 1,200.00 | 278.17 | 921.83 | 49,354.55 |
| Totals: FY 2007/2008 | | 14,400.00 | 3,754.55 | 10,645.45 | |
| 13 | 7/31/2008 | 1,200.00 | 282.17 | 917.83 | 48,436.72 |
| 14 | 8/31/2008 | 1,200.00 | 276.92 | 923.08 | 47,513.65 |
| 15 | 9/30/2008 | 1,200.00 | 262.88 | 937.12 | 46,576.53 |
| 16 | 10/31/2008 | 1,200.00 | 266.29 | 933.71 | 45,642.82 |
| 17 | 11/30/2008 | 1,200.00 | 252.53 | 947.47 | 44,695.35 |
| 18 | 12/31/2008 | 1,200.00 | 255.53 | 944.47 | 43,750.88 |
| 19 | 1/31/2009 | 1,200.00 | 250.82 | 949.18 | 42,801.70 |
| 20 | 2/28/2009 | 1,200.00 | 221.63 | 978.37 | 41,823.33 |
| 21 | 3/31/2009 | 1,200.00 | 239.77 | 960.23 | 40,863.10 |
| 22 | 4/30/2009 | 1,200.00 | 226.71 | 973.29 | 39,889.81 |
| 23 | 5/31/2009 | 1,200.00 | 228.68 | 971.32 | 38,918.49 |
| 24 | 6/30/2009 | 1,200.00 | 215.92 | 984.08 | 37,934.41 |
| Totals: FY 2008/2009 | | 14,400.00 | 2,979.85 | 11,420.15 | |

ARCHDIOCESE OF SEATTLE
 710 Ninth Avenue
 Seattle WA 98104-2017
 Tel: (206) 382-4845

| |
|---------------|
| MATURITY DATE |
| 6/30/2011 |

OUR LADY OF POSITIVE CASH FLOW
 1213 Paradise Road
 Heaven Bend, WA 98765-4321

AMORTIZATION SCHEDULE

Tel: (123) 456-7890
 Fax: (123) 456-6789
 Email: paa@parish.net

MID/Account #
 #888 L120628
PRF: Renovation Project

| | |
|--------------------|---------------|
| APPROVED LOAN | DATE APPROVED |
| 60,000.00 | 6/28/2007 |
| Total Amount Drawn | As of: |
| 60,000.00 | 6/28/2007 |

PRINCIPAL BALANCE AS OF: 6/30/2007 60,000.00
 ACCRUED INTEREST AS OF: 6/30/2007 22.19

| | | |
|---------------------------|-----------|-----------|
| INTEREST RATE | 6.75% | ANNUAL |
| LOAN TERM (MONTHS) | 48 | PAYMENT |
| MONTHLY PAYMENT | 1,200.00 | 14,400.00 |
| QUARTERLY ADDITIONAL PMT. | 0.00 | |
| ANNUAL ADDITIONAL PMT. | 0.00 | |
| BALLOON PAYMENT | 13,862.77 | |

| PMT # | DATE | PAYMENT | INTEREST | PRINCIPAL | ENDING BAL |
|----------------------|------------|-----------|----------|-----------|------------|
| 25 | 7/31/2009 | 1,200.00 | 217.47 | 982.53 | 36,951.88 |
| 26 | 8/31/2009 | 1,200.00 | 211.84 | 988.16 | 35,963.72 |
| 27 | 9/30/2009 | 1,200.00 | 199.52 | 1,000.48 | 34,963.25 |
| 28 | 10/31/2009 | 1,200.00 | 200.44 | 999.56 | 33,963.69 |
| 29 | 11/30/2009 | 1,200.00 | 188.43 | 1,011.57 | 32,952.12 |
| 30 | 12/31/2009 | 1,200.00 | 188.91 | 1,011.09 | 31,941.03 |
| 31 | 1/31/2010 | 1,200.00 | 183.11 | 1,016.89 | 30,924.14 |
| 32 | 2/28/2010 | 1,200.00 | 160.13 | 1,039.87 | 29,884.27 |
| 33 | 3/31/2010 | 1,200.00 | 171.32 | 1,028.68 | 28,855.59 |
| 34 | 4/30/2010 | 1,200.00 | 160.09 | 1,039.91 | 27,815.68 |
| 35 | 5/31/2010 | 1,200.00 | 159.46 | 1,040.54 | 26,775.14 |
| 36 | 6/30/2010 | 1,200.00 | 148.55 | 1,051.45 | 25,723.69 |
| Totals: FY 2009/2010 | | 14,400.00 | 2,189.28 | 12,210.72 | |
| 37 | 7/31/2010 | 1,200.00 | 147.47 | 1,052.53 | 24,671.16 |
| 38 | 8/31/2010 | 1,200.00 | 141.44 | 1,058.56 | 23,612.60 |
| 39 | 9/30/2010 | 1,200.00 | 131.00 | 1,069.00 | 22,543.60 |
| 40 | 10/31/2010 | 1,200.00 | 129.24 | 1,070.76 | 21,472.84 |
| 41 | 11/30/2010 | 1,200.00 | 119.13 | 1,080.87 | 20,391.97 |
| 42 | 12/31/2010 | 1,200.00 | 116.90 | 1,083.10 | 19,308.87 |
| 43 | 1/31/2011 | 1,200.00 | 110.70 | 1,089.30 | 18,219.57 |
| 44 | 2/28/2011 | 1,200.00 | 94.34 | 1,105.66 | 17,113.91 |
| 45 | 3/31/2011 | 1,200.00 | 98.11 | 1,101.89 | 16,012.02 |
| 46 | 4/30/2011 | 1,200.00 | 88.83 | 1,111.17 | 14,900.86 |
| 47 | 5/31/2011 | 1,200.00 | 85.42 | 1,114.58 | 13,786.28 |
| 48 | 6/30/2011 | 13,862.77 | 76.49 | 13,786.28 | 0.00 |
| Totals: FY 2010/2011 | | 27,062.77 | 1,339.08 | 25,723.69 | |

Archdiocese of Seattle

Parish Financial Services
710 Ninth Avenue
Seattle, WA 98104

Loan Statement

OUR LADY OF POSITIVE CASH FLOW

Attn: REV JOHN SHEPHARD, PASTOR
1213 PARADISE ROAD
HEAVEN BEND, WA 98765

Loan: SAMPLE 888 L120628
PRF: RENOVATION PROJECT (SAMPLE ACCT-PAM)

Statement For Dates: 7/1/2007 - 10/31/2007

| | Interest | Principal |
|-------------------------------------|--------------|--------------|
| Previous Balance: | \$0.00 | \$60,000.00 |
| Additional Borrowing/Debits: | \$1,190.56 | \$0.00 |
| Payments/Credits: | (\$1,190.56) | (\$2,409.44) |
| Adjustments: | \$0.00 | \$0.00 |
| Ending Balance: | \$0.00 | \$57,590.56 |

| Date | Type | Description | Total Amt | -----Applied----- | |
|------------|------|--------------------------------|--------------|-------------------|------------|
| | | | | Principal | Interest |
| 7/31/2007 | Pymt | Loan Pmt: Ck #20071 | (\$1,200.00) | (\$833.84) | (\$366.16) |
| 8/31/2007 | Pymt | Loan Pmt: Ck #20072 | (\$1,200.00) | (\$860.81) | (\$339.19) |
| 10/15/2007 | Pymt | Loan Pmt: Ck #20073 | (\$1,200.00) | (\$714.79) | (\$485.21) |
| 10/31/2007 | Int. | Interest Accrued During Period | \$1,190.56 | \$0.00 | \$0.00 |
| * * * * * | | | | | |

Interest Accrued This Period: \$1,190.56
Interest Rate At End Of Period: 6.75%

FAX: 206-382-4279

ARCHDIOCESE OF SEATTLE

**WITHDRAWAL REQUEST FORM
REVOLVING FUNDS**

Date: _____

TO: Fax # (206) 382-4279
CCAS
Parish Financial Services
710 9th Ave
SEATTLE, WA 98104-2017

FROM: Faxed by: _____
Organization: _____
Address: _____
City: _____ State _____ Zip _____
Tel (____)____ - _____ Fax: _____ - _____

Withdraw Amount: \$ _____
From Fund:
1) PRF 2) ARF 3) NPF
From Control #: _____
(Example: 1/108 = fund /parish ID.)
From Account #:
 Savings: **S** _____
 Loan: **L** _____

Signature(s): _____ **Title:** _____
_____ **Title:** _____

1) For savings or loan withdrawal, check one:

- OPERATING EXPENSES
- CONSTRUCTION / MAINTENANCE

Please note: Pastors are hereby delegated to sign contracts up to \$25,000 with the following exceptions:

- a) the project requires a building permit;
- b) the project involves worship space;
- c) the total cost of remodeling exceeds \$25,000 and the work is done under several contracts;
- d) the contracts are for architectural services;
- e) the contracts are asbestos-related, including removal.

(See Many Gifts One Spirit: Administration and Finance Policy XXVII.)

(Please include a brief description of the work to be covered by this request.) _____

- PROPERTY / EQUIPMENT PURCHASE *(describe below)*
- OTHER: _____

2) Please Check One:

Wire transfer to checking account Send Check Transfer to Savings or Loan # _____

(Routing)

Bank _____ **ABA#** _____ **Acct#** _____

(Please fill in all information for wire transfers!)



For office use only: **Initials:** _____