

ARCHDIOCESE OF SEATTLE

SECTION G

PRF SAVINGS AND LOAN OPERATIONS

ARCHDIOCESE OF SEATTLE

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SECTION G: PRF SAVINGS & LOAN OPERATIONS

PARISH REVOLVING FUND (PRF)

The Parish Revolving Fund is the savings and loan organization administered by the Archdiocese. The PRF 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 2.25% for savings accounts and 5.5% for loans.

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

Parishes may have multiple PRF savings accounts. While there is no limit to the number of accounts a parish chooses to maintain, the parish should not use the PRF to substitute for funds management and tracking that are better done within the parish's accounting practices and records.

Loans made from PRF deposits are granted by the Archbishop after approval by the PRF Commission. The steps to be undertaken by the parish prior to presenting their loan request to the PRF Commission is contained in Appendix G-1. 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 ACCOUNTS OPERATIONS

New Accounts

To open a savings account, send a check payable to "CCAS" or "PRF" 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 "CCAS" or "PRF" 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 PRF or ARF 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.

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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

To withdraw funds from an existing savings account, send a completed withdrawal form, signed by the pastor or other authorized signer, requesting a withdrawal of funds. It is important that the PRF or ARF 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.* The withdrawal form (Appendix G-2) may be downloaded from the CCAS website: <http://www.seattlearchdiocese.org/Archdiocese/PFS/Forms.aspx>.

PRF withdrawals are approved, in all cases, by the Director of Parish Financial Services (PFS), 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.

PRF will issue a check to the parish or electronically transfer the funds. The withdrawal form includes spaces for bank name, bank 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			

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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.

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.			

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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 Appendix G-3 indicates the payment split between interest and principal. Appendix G-4 is a sample of the quarterly PRF loan statement. Using the loan amortization table in Appendix G-3, the loan payments should be recorded as follows:

July 31

ACCT #	DESCRIPTION	DEBIT	CREDIT
2301	PRF Loan	833.34	
5505-10	Interest Expense – PRF / ARF	343.97	
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 / ARF	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 / ARF	323.47	
1115	Cash in Checking		1,200.00
To record the third payment on the PRF loan.			

All PRF and ARF 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-3) should agree to the interest and principal amounts listed on the loan payment activity statement (Appendix G-4). 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.

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This amount is determined by comparing the ending balance on the loan payment activity statement (Appendix G-4) 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>	
	<u><876.53></u>	
		<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><597,590.56> (credit)</u>
Ending Balance from Exhibit A	<u><57,590.56> (credit)</u>
DIFFERENCE	0.00

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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. Parish Financial Services will transfer the payment from the parish's savings account to the loan on the correct date, if the parish requests.

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

The PRF is the Savings and Loan entity for parishes and their schools. As of the date of this publication, PRF savings accounts pay interest at 2.25%, while loans are granted at 5.5% to parishes who have invested in the PRF (savings accounts). The loan 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.

Parishes should limit their PRF savings accounts to seven if the parish has no school and cemetery, and additional two accounts each if the parish has a school and/or cemetery. A maintenance fee may be charged to accounts that are over the limit. The PRF will inform the parish when an account is over the limit and fees, if any, that may be charged. The PRF Commission will periodically review the account limits.

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

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APPENDIX G-1

Requesting a Loan from the Parish Revolving Fund

I. Request is for a Capital Project

The pastoral leader of the parish or mission should write a letter to the Archbishop describing the project. The Archbishop will then forward that information to the Director of Property and Construction, who will contact the pastoral leader.

After further discussion with the Director of Property and Construction and perhaps the Archdiocesan Building Commission to refine the project, the pastoral leader will begin discussion with the Director of Parish Financial Services to discuss a feasibility study.

If a loan to finance the cost of the project could not be covered by surplus ordinary income as shown by recent years' history of parish finances, the Parish Financial Services office will provide names of capital campaign companies from which the parish would choose the company to perform a feasibility study.

After the results of the feasibility study are known, the parish or mission will work with the Director of Property and Construction to refine the project in preparation for a capital campaign. At that point, the Chief Financial Officer of the Archdiocese would give the parish or mission permission to conduct a capital campaign.

After the capital campaign is complete, and a projection can be made of the funds that will be able to be raised, the parish or mission would work with the Director of Property and Construction to finalize the project. At that point, the parish or mission would approach the Parish Revolving Fund Commission to request a loan. The parish or mission would submit a funding and financing plan (template provided by the Parish Financial Services office), recent financial statements, and a formal request to borrow in the form of a letter from the pastoral leader describing the project.

II. Request for Short Term Line of Credit

If the request is for a short term line of credit to help a parish or mission finance operations for the short term, the pastoral leader would make a request to the Director of Parish Financial Services. The parish or mission would provide recent financial statements and a cash flow spreadsheet that would show how the line of credit would be paid off in no less than a year.

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APPENDIX G-2

FAX: 206-382-4279

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WITHDRAWAL REQUEST FORM REVOLVING FUNDS

Date:

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

Withdraw Amount: \$

From Fund:
1) PRF 2) ARF 3) NPF

FROM: Faxed by: _____
Parish/Org: _____
Address: _____
City: _____ Zip: _____
Tel () _____ - _____ Fax: _____ - _____

From Control #: _____
(Example: 1/108 = fund /parish ID.)

From Account #:
 Savings: S _____
 Loan: L _____

Is this from a PRF Account that is designated as 'restricted'? YES NO

If Yes, please describe how this transfer conforms with that restricted purpose _____

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# _____

*(Wire transfers take 2-3 business days. Please fill out all information above, incomplete forms delays processing)

For office use only: Initials: _____

-Within 3 'business day' hours of the transfer request being received, the request will be processed and forwarded to an authorized signer.

(If the transfer request is for construction, please allow additional time, for the Property and Construction office to process and authorize.)

-If all paperwork is completed and signed by 2pm, the check will be mailed the same day.

*Once the check is put in the mail, we cannot rescind this action. If timely arrival of funds is needed, the wire transfer option should be considered**.*

Revised February 2016

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APPENDIX G-3

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

MATURITY DATE
7/31/2031

Our Lady of Positive Cash Flow Parish
 1213 Paradise Road
 Heaven Bend, WA 98765-4321

PROJECTED AMORTIZATION SCHEDULE

CN/Account #
 1/999 L123456

Tel: (123) 456-7890
 Fax: (123) 456-0987
 Email: paa@parish.org

PROPOSED LOAN	DATE APPROVED
365,000.00	8/25/2016
Total Amount Drawn	As of:
0.00	

PRINCIPAL BALANCE AS OF: ACCRUED 6/24/2016 0.00
 INTEREST AS OF: 6/24/2016 0.00

INTEREST RATE	5.50%	ANNUAL
LOAN TERM (MONTHS)	180	PAYMENT
MONTHLY PAYMENT	2,985.06	35,820.77
QUARTERLY ADDITIONAL PMT.	0.00	
ANNUAL ADDITIONAL PMT.	0.00	
BALLOON PAYMENT	0.00	

PMT #	DATE	PAYMENT	INTEREST	PRINCIPAL	ENDING BAL
1	7/31/2016	2,985.06	1,700.34	1,284.72	363,715.28
2	8/31/2016	2,985.06	1,694.36	1,290.71	362,424.57
3	9/30/2016	2,985.06	1,633.88	1,351.18	361,073.39
4	10/31/2016	2,985.06	1,682.05	1,303.01	359,770.37
5	11/30/2016	2,985.06	1,621.92	1,363.15	358,407.23
6	12/31/2016	2,985.06	1,669.63	1,315.43	357,091.79
7	1/31/2017	2,985.06	1,668.06	1,317.00	355,774.79
8	2/28/2017	2,985.06	1,501.08	1,483.99	354,290.80
9	3/31/2017	2,985.06	1,654.97	1,330.09	352,960.71
10	4/30/2017	2,985.06	1,595.58	1,389.49	351,571.22
11	5/31/2017	2,985.06	1,642.27	1,342.79	350,228.43
12	6/30/2017	2,985.06	1,636.00	1,349.07	348,879.37
Totals: FY 2016/2017		35,820.77	19,700.13	16,120.63	
13	7/31/2017	2,985.06	1,629.70	1,355.37	347,524.00
14	8/31/2017	2,985.06	1,623.37	1,361.70	346,162.30
15	9/30/2017	2,985.06	1,564.84	1,420.22	344,742.08
16	10/31/2017	2,985.06	1,610.37	1,374.69	343,367.39
17	11/30/2017	2,985.06	1,552.21	1,432.86	341,934.53
18	12/31/2017	2,985.06	1,597.26	1,387.81	340,546.72
19	1/31/2018	2,985.06	1,590.77	1,394.29	339,152.43
20	2/28/2018	2,985.06	1,430.94	1,554.12	337,598.31
21	3/31/2018	2,985.06	1,577.00	1,408.06	336,190.25
22	4/30/2018	2,985.06	1,519.76	1,465.30	334,724.95
23	5/31/2018	2,985.06	1,563.58	1,421.49	333,303.46
24	6/30/2018	2,985.06	1,556.94	1,428.13	331,875.34
Totals: FY 2017/2018		35,820.77	18,816.74	17,004.03	
25	7/31/2018	2,985.06	1,550.27	1,434.80	330,440.54
26	8/31/2018	2,985.06	1,543.56	1,441.50	328,999.04
27	9/30/2018	2,985.06	1,487.26	1,497.81	327,501.24
28	10/31/2018	2,985.06	1,529.83	1,455.23	326,046.01
29	11/30/2018	2,985.06	1,473.91	1,511.16	324,534.85
30	12/31/2018	2,985.06	1,515.98	1,469.09	323,065.76
31	1/31/2019	2,985.06	1,509.12	1,475.95	321,589.82
32	2/28/2019	2,985.06	1,356.84	1,628.22	319,961.60
33	3/31/2019	2,985.06	1,494.62	1,490.45	318,471.15

