

# Archdiocese of Indianapolis



## Guidelines and Procedures for Merging Parishes and Merging or Closing Schools

September 2013

## Introduction

This document was put together as a collaborative effort to provide useful information to parishes and schools who are involved in a parish or school merging or closing effort. This document is intended to cover many of the areas of parish/school administration that could be affected by an action of this nature but may not cover everything and may not provide all the necessary guidance to answer every question. It is intended to be a starting point and as individual situations dictate, some exceptions to this guidance will be granted. This document will highlight which of the central offices of the Archdiocese can provide more individual guidance for specific situations so please contact us with any questions.

The merging or consolidation of parishes under Canon Law is referred to as Extinctive Unions. Parishes are separate juridic persons under Canon Law and extinctive unifications occur as parishes are extinguished and merged into a receiving parish or in many cases two or more parishes are extinguished and a new parish/juridic person is created to receive the assets and liabilities of the extinguished parishes. While that theme is central to all decisions made in this document, we have attempted to expand on the implications and details of this as it relates to the day to day administration of the parishes and schools in the Archdiocese of Indianapolis.

***Throughout this document we will refer to the extinguished parish (or school) as EP. And we will refer to the receiving parish or parishes as RP.***

## Contents

<u>Topic Covered</u>	<u>Page No.</u>
Buildings, Property and other Physical Assets	3
Financial Considerations (Billing and Assessments)	3-5
Other Financial Considerations	5-6
Parish and School Catholic Community Foundation Endowments	6
Christ Our Hope Annual Appeal	6-7
Personnel Issues	8
Legal Issues	8

### Buildings, Property and Other Physical Assets

All buildings and property of the EP becomes the property of the RP. The RP immediately becomes responsible for all aspects of that property including maintaining it, insuring it, and setting any buildings up for sale as necessary. See specific guidance in the financial considerations section of this document for how property insurance and property assessment billings will be handled.

All title work for buildings and property formerly owned by EP will need to be changed immediately, regardless of the future plans for the property, into the name of RP under the ownership of Archdiocese of Indianapolis Properties, Inc. and held in trust under the name of RP. For assistance in this area, please contact the Director of Management Services at 317-236-1453.

All insurance coverage for the buildings and property formerly owned by EP will need to be changed into the name of RP for insurance coverage purposes. To the extent that buildings and/or property are going to be sold, the leadership of RP can elect to reduce the insurance coverage on those properties to demolition value with the approval of the Director of Risk Management. This would reduce the insurance premiums paid on the to-be-sold property during the time the building is for sale. However, this reduction in insured value does come with some risks; as such the minimum demolition value cannot be below a minimum \$200,000 for church, school or parish hall buildings and not below a minimum \$50,000 for all other buildings. In addition, if the property to be sold is subject to a capital loan through the ADLF fund, the insured value of the building cannot be less than the outstanding loan amount. Any exceptions to the minimum insurance amounts stated above must be requested in writing to the Director of Risk Management by the RP and signed by the RP pastor or PLC, parish council chair and parish finance council chair. All insurance questions should be addressed to the Director of Risk Management at 317-236-1558.

In the event the RP sells a building or piece of property, all proceeds from the sale will go to RP after all outstanding capital and operating loans of EP and any operating loans of RP are paid off. Any questions on this policy or requests for exception must be directed in writing to the Office of the Chief Financial Officer.

In the event an EP has a parish cemetery, the issues related to the handling of the cemetery assets will be handled on a case by case basis. Some of the issues that will need to be addressed include the deeds on the property, the future management and maintenance of the cemetery, and revisions to the endowments associated with the cemetery. The Office of Management Services should be consulted on those matters.

### Financial Considerations (Billings and Assessments)

*Cathedraticum* – At the date of parish unification, the Cathedraticum for the remainder of the fiscal year for the EP will be paid from the cash and deposit accounts of the EP prior to the assets transferring to the RP. . For each of the next two fiscal years, the Cathedraticum will be calculated for RP using the most reasonable formula based on the changes to the parish structures under Canon Law. The cathedraticum will be calculated using the Sunday and Holy Day collections (SHD) as reported on the

Parish Annual Financial Reports (PAFR) submitted by RP and the final PAFR submitted by the EP(s) as deemed appropriate. Depending on the timing of the parish closing, the cathedraticum for up to two years may only include a portion of the full effect of the parish structure changes as the calculation for the cathedraticum is performed using SHD information two years in arrears (for example, the cathedraticum for 2013-2014 is calculated on the 2011-2012 reported SHD collections). No later than the third fiscal year following a parish structure change, the cathedraticum calculation will resume as normally calculated for all parishes.

*Clergy Health Assessment* – The clergy health assessment is an estimate of clergy health related costs for the year based on previous years trends. The estimated fiscal year cost is allocated to the parishes based on their share of total Sunday and Holy Day Collections. At the date of parish unification, the clergy health assessment for EP for the remainder of the fiscal year will be paid from the cash and deposit accounts of the EP prior to the asset transfer to RP. Consistent with the cathedraticum formula noted above, the reported SHD collections for the fiscal years after parish unification will be used in the allocation of clergy health costs.

*Personnel Costs and Paycor Fees* – As the parishes are responsible for changes to their payroll; it will be up to the leadership of both EP and RP to make sure that all payroll records are updated for changes or transfers that result from the extinctive unification of parishes and schools. Any employees that are transferred from EP to RP will have their corresponding payroll related fees transfer as well. At the conclusion of the calendar year for the year a parish is unified, the RP will be responsible for processing the EP Form W-2s and year-end fees.

*Criterion Subscriptions* – Each parish is billed annually for Criterion subscriptions for all registered households. *At the time of extinctive unification, all subscriptions for EP will be transferred to designated RP. A true-up of the Criterion billing amount will be adjusted based on registered households as of July 1<sup>st</sup> the following year.*

*Deanery Assessments* – Upon completion of the individual deanery reviews, it is up to the deanery to make any adjustments to these assessments and notify the Office of Accounting Services.

*Child Protection Assessment* – This charge is calculated based on the number of people registered in the parish and is billed once in the fall. At the time of extinctive unification, all parishioner records from EP will be transferred to the designated RP however; the child protection charge will only get adjusted in the fall of the next year.

*Property Insurance and Property Assessment* – These charges are calculated based on the insured value of the property belonging to the parishes and schools. As noted above, all title work for buildings and properties owned by the EP will need to be changed immediately into the name of the RP under the ownership of Archdiocese of Indianapolis Properties, Inc. For the month following the extinctive

unification, the property insurance and property assessment calculations will be updated and adjusted to reflect the new ownership and any changes in insured values for the RP.

*Automobile Insurance* – At the time of extinctive unification, the monthly bill we be adjusted immediately for any changes to auto designations. All changes must be communicated directly to the Office of Accounting Services.

*Student Accident Insurance* – There will be no changes to this calculation during an interim period, all changes will take place at the start of the next fiscal year.

*Indianapolis High School and MTCA Assessments* – Adjustments to these assessments will be made after the completion of the Indianapolis deaneries study.

*Lay Health Insurance* – The leadership of EP is responsible for notifying the Human Resources office of all lay health insurance changes necessary as a result of the extinguishment of EP. This includes all terminations of health insurance and all transfers of employees with coverage to RP. As the charges for lay health insurance are adjusted monthly based on true enrollment figures with the provider, this billed amount will be adjusted in the month following an extinctive unification based on employment related changes communicated to Human Resources.

*Lay Retirement* – In the year of parish unification, all charges for lay retirement to EP will stop and no additional charges (related only to EP) will be billed to either EP or RP. The lay retirement charge for RP will be adjusted July 1<sup>st</sup> of the year following close for any employees moving from EP to RP.

*Worker's Compensation Insurance* – In the year of unification, all charges for worker's compensation related to EP will stop and no additional charges (related to EP) will be billed to RP or EP. The worker's compensation charge will be adjusted July 1<sup>st</sup> of the year following close for any employees moving from EP to RP.

#### Other Financial Considerations

*Archdiocesan Deposit and Loan Accounts (ADLF) including Restricted Funds* – All ADLF accounts of the EP will go to the RP after any operating loans from the Archdiocese and any other remaining liabilities of the parish have been paid (including cathedraticum and clergy health assessment balances noted above) using unrestricted ADLF accounts. The RP will need to address any restricted ADLF accounts and re-evaluate the intended use of those funds within the guidance of Canon Law. The RP should review the documentation available by which the restricted fund was established which may detail how the remaining monies are to be transferred or expended in the event of the cessation of existence of the beneficiary entity. Restricted funds must be used in exact accord with the directions of the donor. The Office of the Judicial Vicar can be consulted with any specific questions.

*Parish Annual Financial Report* – A parish annual financial report must be filed for the final year for the parish and/or school that is extinguished, even if this is a partial year report. Leadership of EP should work with the Office of Accounting Services to submit closing financial records and the financial report.

*Bank Accounts* – A complete listing of all bank accounts for EP including school and school-related accounts should be maintained. This listing must include all school organizations and all parish related organizations. Bank Statements and account reconciliations for all accounts listed should be printed and included with the listing to be passed on to RP leadership.

All unused checks for all accounts should be collected and accounted for. All checks should be kept securely in the offices of RP. All banks should be contacted and a list of signatories for each account gathered. The leadership of RP must work with the banks to close the accounts or change signatories as necessary. At the time of closing accounts, all unused checks for those accounts should be shredded.

*Vendors* – The EP should notify all vendors of the parish’s and/or school’s extinguishment date. Request all open invoices and promptly pay these invoices and address in writing any discrepancies. Request current accounts receivable listing and notify all of changes to the parish/school. Review all leases or other ongoing service agreements for termination obligations or penalties.

*State Reimbursement Funds* – State reimbursement funds may be received by the RP after the closing of parish/school accounts of the EP. In the event that the funds are still to be collected, an account should remain open up to a year to receive the state reimbursement funds. The funds received must follow the students to the applicable school unless some prior arrangements have been made.

#### Parish and School Catholic Community Foundation Endowments

Donor-restricted endowment funds represent permanent reserve funds from donors for specific purposes. The template agreement for each endowment contains a provision for the subsequent use of the fund should the parish, school or program which the fund was to support cease to exist. Unless a successive beneficiary is named in the document, the standard endowment agreement states that should the purpose no longer be possible, the fund distribution should be directed to the next, most similar purpose. The endowment fund agreement should be reviewed in consultation with the Director of Planned Giving and the Executive Director of the Office of Stewardship and Development to determine the next best possible use for the fund distribution and to make any changes to the title, purpose and other fund aspects.

#### Christ Our Hope Annual Appeal

The annual appeal allows parishioners the opportunity to direct financial support to the Archdiocese of Indianapolis in any of five areas: (1) fostering Catholic education and faith formation, (2) offering education for our seminarians and deacons and retirement benefits for our priests, (3) providing help for people in need through Catholic Charities, (4) assisting underserved students who attend the Mother

Theodore Catholic Academies through need-based scholarships and (5) providing support where the ministry need is the greatest.

When making a gift in support of the annual appeal, the parishioner indicates their intent on the pledge card and the Office of Stewardship and Development (OSD) ensures that the funds collected are used as the donor has indicated. The RP and EP are unable to alter the donor's intent for the gift.

When an extinctive unification occurs, the OSD will update the centralized database, changing parish assignment in each household record from the EP to the RP. From that time forward, the OSD will update records based on the parish household updates or from information received directly from the parish or parishioner. This data will be used for *The Criterion* billing purposes as well.

To meet the minimum financial goal of \$5.7 million, each parish receives a financial goal to fund the ministries of the archdiocesan community. The goal amount for the RP after the year of the extinctive unification will be calculated as its normal amount plus no less than 50% of the previous year's appeal goal for EP. The percentage used will be determined by the Office of Stewardship and Development and is dependent on the actual nature and size of the extinctive unification. For example, the extinctive unification of two similar sized parishes may result in a different annual appeal formula than the formula used when a large parish and a small parish are involved. The same formula will be carried forward for the second year as well. In the third year after a parish closing, a new annual appeal goal will be generated.

When planning begins for the annual appeal, each parish has the opportunity to donate a percent of the overage as it relates to the parish goal to the St. Francis Xavier Home Missions Fund and retain a balance as a "rebate." Policy is that no more than 75% of the overage can be retained by the parish. The overage will be designated as was allocated by the RP.

When applicable, all gifts made to the Archdiocese of Indianapolis whether through the annual appeal or the Legacy for Our Mission Capital Campaign will be acknowledged with a tax letter by the OSD. The RP is responsible for sending out a tax letter to all members of the EP, summarizing the giving to the local parish during the fiscal year.

To help assist with the transition from an EP to an RP, the OSD will send a letter to parishioners outlining the following points:

1. Financial information as it relates to archdiocesan campaigns and appeals
2. The process for both parish and archdiocesan tax letters
3. A note that *The Criterion* will continue to be delivered
4. That our files will be updated from the EP to the RP

Questions regarding outstanding Legacy for Our Mission pledges and payments, parish household updates, donor records and reporting for the annual appeal should be directed to the Director of Donor Services at extension 1498.

## Personnel Issues

*Personnel Files* - An employee file is considered confidential information, available only to authorized administrative personnel, representatives of government agencies whose access to staff files is granted by law and to the employee. Employees may be given a copy of their individual file upon request. The official personnel files on active and inactive employees are the property of the Archdiocese of Indianapolis and are to be kept under lock and key and moved to the offices of RP. Files are to be maintained in a manner that protects employee Privacy Rights and provides due process.

- Employee Benefits – Any employees, who are eligible to continue benefits after the closing of a parish, including retirement benefits, should contact the Office of Human Resources at the Catholic Center.
- Reference the Archdiocesan Records Retention Policy available on the Finance Office webpage on the Archdiocesan website at [www.archindy.org](http://www.archindy.org) for guidance on retention requirements for all payroll, employment and tax records.

## Legal Issues

All legal considerations and work related to the civil structure of our parishes and schools will be managed through our Archdiocesan legal representative, Jay Mercer. He will assist all parishes with the legal documents that need to be filed when involved with an extensive unification. Jay's contact information is:

John S. (Jay) Mercer  
Partner  
Mercer Belanger  
Phone: (317)636-3551  
Email: [jsmercerc@indylegal.com](mailto:jsmercerc@indylegal.com)