



Financial Services Policies/Procedures

MISSION STATEMENT:

The mission of the Financial Services Committee is to responsibly administer the investments of the Canadian Church of God Ministries.

5.8.1 Loans

- 1. Regular Loans (for capital purposes)
Church of God congregations and related organizations in Western Canada are eligible to apply for loans.
- 1.1. Loans greater than \$30,000 will not exceed 75% of the proposed cost of the project.
- 1.2. Loans will be on terms of 1, 3, or 5 years and amortized for no longer than 20 years.
- 1.3. Application for loans will include the following:
 - application
 - financial report
 - minutes including resolution to borrow approved by the church
 - survey if applicable
 - building plans, drawings, etc. if applicable
- 1.4. Security: promissory note *and/or caveat* up to \$30,000
 mortgage \$30,000 +
- 1.5. Interest Rates (New loans at time of approval)
 - 1 year term Bank prime + 1%
 - 3 year term Bank prime + 2%
 - 5 year term Bank prime + 3%

Recognizing that commercial mortgage rates are more complex than simply prime plus interest, the Financial Services Board may negotiate loan interest with the desired intention to not exceed current bank mortgage interest rate.

- 1.6. Prepayments on loans may be made at any time without penalty.
- 1.7. Priority will be given to Church of God congregations if the Board of Directors offers financial services to endorsed agencies/affiliated organizations.

2. Revolving Memorial Fund Loans (for capital purposes)
Revolving Memorial Fund loans are intended to aid congregations who are pioneering in new and needy areas by making available loans at a low rate of interest.
 - 2.1. Interest rates will be determined by the Financial Services Committee. Interest rates will be lower than those listed in 1.5 above

3. Loan Approval Authorization
 - 3.1. The Financial Services Committee will evaluate all loan applications.
 - 3.2. The Financial Services Committee will report to the Board of Directors the results of all loan applications.

4. Loan Limits
 - 4.1. Loans to one church or organization shall not exceed 25% of the total assets of Canadian Church of God Ministries (excluding Deer Valley Meadows Camp).
 - 4.2. Churches are expected to remain within the following ratio guidelines in making application for loans:
 - 3 times annual church operating budget

5. Loan Repayments
If loan payments are in excess of 10 days late, overdue interest will be added to the principal.

6. Loan Interest Rate Buy-Downs
Churches or organizations requesting a loan rate reduction must pay 1% of the principal outstanding for each 1% reduction down to the current rate. The existing term remains in effect.

7. Loan Forgiveness
Preamble:
The Financial Services Committee will at all times take a prudent approach to credit granting in order to minimize the prospect of default and loss. Loans granted should be “sound”, i.e. extended to borrowers demonstrating the capacity to repay the loans in an orderly manner; and “safe”, i.e. extended to borrowers holding assets of sufficient market value to permit full repayment of loans in the event that repayment cannot be achieved in the normal course. In most cases where loan amounts are material, security over such assets will be taken by the Canadian Church of God Ministries to support advances.

Policy

In view of the foregoing approach to lending, and the need to protect the assets of the Canadian Church of God Ministries, the Canadian Church of God Ministries will not consider forgiveness of loans.

Long term deferral of principal and/or interest payments will be considered in cases where extreme financial hardship is faced by a borrower, where the deferral is necessary to prevent the financial failure of a borrower, and where the continued operation of the borrower is important to the ongoing ministry and/or reputation of Canadian Church of God Ministries. "Long term deferral" is considered to mean a period greater than 6 months. It is expected that interest will accrue during the deferral period, however in extreme cases an interest waiver / write-off may be considered. Principal will only be written off as outlined below.

As a general rule, long term deferral of payments will not be considered for borrowers who have assets of sufficient value to repay the loans in question, unless sale of such assets would effectively eliminate the borrower's ability to continue in ministry, or create undue disruption or hardship.

Long term deferral of payments will only be considered in the context of full financial disclosure by the borrower to the Financial Services Committee, demonstrating that the future financial viability of the borrower will be reasonably assured by the deferral.

Loans may be written off in cases where a borrower has no assets available to retire the debt and/or no other present or future means of reducing or repaying outstanding loans, or a borrower's debts have been legally discharged through Bankruptcy proceedings. Write-offs of principal or interest, in any amount, must be approved by the Financial Services Committee, and advised to the Board.

5.8.2 Deposits

1. Church Building Savings Fund Demand Deposits
 - 1.1. Interest will be calculated on the minimum daily balance. Interest will be paid and compounded December 31st of each year.
 - 1.2. Withdrawals may be made at any time upon presentation of a written request for withdrawal.
 - 1.3. Deposits and withdrawals will be recorded and sent to each depositor annually.
 - 1.4. The credited rate for all Demand Deposits will be the ATB (Alberta Treasury Branch) Business T-bill savings rate (higher rate).
 - 1.5. Minimum deposit is \$1,000.00.

2. Church Building Savings Fund Certificates
 - 2.1. CBSF Certificates will be offered at the discretion of the Financial Services Committee
 - 2.2. Term certificates for one, two and three years will be issued on the Church Building Savings Fund.
 - 2.3. Interest will be paid and compounded on the anniversary date of the certificate.
 - 2.4. The depositor has the option of withdrawing the interest on or after anniversary date, or may leave the interest in for compounding.
 - 2.5. 30 days written notice may be required for the withdrawal or cancellation of a certificate prior to maturity. In the case of early withdrawal, interest will be paid at the applicable rate for the number of full years the funds have been on deposit at the time of withdrawal.
 - 2.6. At the time of maturity or cancellation, the depositor must return the certificate for cancellation.
 - 2.7. A minimum deposit for a certificate is \$1,000.00.
 - 2.8. Interest rates on certificates will be determined by the Financial Services Committee. However, the rate is not to exceed bank prime.

5.8.3 Development Funds

Interest shall be paid on all development project funds - semi-annually at bank prime less 4%. Interest is to be calculated on the minimum 6 month balance.

5.8.4 Investments

1. The Financial Services Committee may invest money in mutual fund investments where the principal is secured from fluctuating market conditions.

2. Liquid cash investments shall be maintained at a minimum of 10% of deposit liabilities PLUS the amount equal to development and designated funds. (Liquidity is considered 1 year or less).

3. Retained earnings from investments shall be added annually to the General Fund. Losses are to be deducted from the General Fund.

5.8.5 Budget

An investment budget will be prepared by the Financial Services Committee.

Interest rates on deposits and loans shall be set and investments made with an objective of achieving a 3% margin spread between the income earned and cost of capital.

5.8.6 Revolving Memorial Fund

1. Funds received for the Revolving Memorial Fund shall be used in granting low interest loans to churches and organizations primarily for new projects.
2. Additionally, the fund will provide a death benefit of \$1000 to the family or the estate of credentialed ministers who were resident in Western Canada and were credentialed by the Canadian Church of God Ministries who have served a minimum of 10 years of credentialed service in Western Canada.

5.8.7 Deer Valley Meadows

1. DVM is eligible for an operating line of credit as determined by the Financial Services Committee. Interest at bank prime rate less 1/2% will be charged.

5.8.8 Special Gifts, etc.

1. **Wills**
The Financial Services Committee will promote wills that will provide meaningful endowment funding for those persons interested in leaving funds for that purpose.
2. **Insurance**
Persons will be encouraged to obtain an insurance policy on behalf of the Church whereby upon the death of the applicant, the insurance proceeds would go to the appropriate organization or arm of the church and used for the mission and ministry of that organization.
3. **Life Loans**

The Financial Services Committee will continue to administer and encourage Life Loans that will assist them in carrying out their mission and objectives.

3. 1. Interest to be paid at bank prime less 3% for 1-5 year term.
3. 2. Interest will be paid until the death of the donor or recall of the Life Loan.
3. 3. Life Loan can be recalled with 30 days written notice.

4. **Scholarships, Memorials and Endowments**

The Committee will encourage scholarships, memorials, endowments whereby funds are invested with the Committee and on investment will be paid to the designated organization as a scholarship, gift, etc.

- 4.1. Interest shall be paid annually on the Leadership Development Endowment Fund, the Church Planting Endowment Fund, the Church Redevelopment Fund and the Missions Endowment Fund at the rate earned on the endowment investment.

5.8.9 Promotion

The Committee shall actively promote the financial support services, on a regular and consistent basis in keeping with the overall Canadian Church of God Ministries. The Administration Coordinator is encouraged to meet with any and all churches, pastors, boards for information, clarification and negotiation of financial services and other services that the Financial Services Committee provides.

5.8.10 Confidentiality

Any information re specific loans, or deposits of a church or individual will be strictly confidential. Information from the Financial Services Committee Policy Manual is open and available.