

ARCHDIOCESE OF WASHINGTON



POLICIES FOR ARCHDIOCESAN CORPORATIONS



DONALD WILLIAM WUERL
BY THE GRACE OF GOD AND THE APOSTOLIC SEE
ARCHBISHOP OF WASHINGTON

DECREE

To the Members of Archdiocesan-affiliated Corporations:

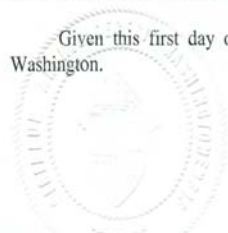
It is my pleasure to approve and promulgate for the Archdiocese of Washington the *Policies for Archdiocesan Corporations*. The policies provide guidance for the operation of separately incorporated entities affiliated with the Archdiocese of Washington as they participate in the Church's mission.

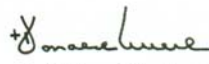
The policies reflect the update and integration of existing archdiocesan policies regarding archdiocesan-affiliated corporations and the provisions of canon and civil law. In a particular way, I am grateful to the archdiocesan staff who dedicated much effort to this project, especially the Office of the Chancellor and its legal counsel.


These policies become effective on July 1, 2010 and replace any prior norms and policies of the Archdiocese of Washington that deal with archdiocesan-affiliated corporations.

It is my hope that these policies will assist all who are associated with archdiocesan-affiliated corporations so that they might better serve this local Church.

Given this first day of July, two thousand and ten, in the Archdiocese of Washington.




Archbishop of Washington


Chancellor



OFFICE OF THE ARCHBISHOP

ARCHDIOCESE OF WASHINGTON

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July 1, 2010

Dear Members of Archdiocesan-affiliated Corporations,

It is a pleasure to present to you the *Policies for Archdiocesan Corporations* of the Archdiocese of Washington. These policies reflect the lived experience of this local Church in terms of providing for the apostolate in ways that conform to canon and civil law.

As a community of faith, we are called to minister to God's people, especially the poor and those in need. In order to be effective instruments of God's grace, we must remain faithful to the Church's teaching and mission. We must also ensure that our actions conform to the legitimate conditions of the civil laws of the jurisdictions in which we operate.

Our primary focus as members of archdiocesan-affiliated corporations is to make sure that the message of Jesus Christ is proclaimed by word and deed, and to do so in ways which have legal effect and which ensure the proper stewardship of Church property.

These policies describe archdiocesan-affiliated corporations, their corporate structure and legal status, their boards of directors, and their mission statements and Catholic identity.

As these policies take effect, I ask God's blessings on all of those who participate in these archdiocesan-affiliated corporations and thank all involved for your service.

Faithfully in Christ,

Archbishop of Washington

INTRODUCTION

Thank you for agreeing to serve as a member of the Board of Directors of an archdiocesan-affiliated corporation. It is a pleasure to welcome and thank you for providing this important service to the Archdiocese of Washington which is “many parts, but one body.” The purpose of these corporate policies is to help you carry out your significant responsibilities as a participant in the mission of the Church expressed in the corporation of which you are involved.

In reflecting on your service, it is helpful to answer three questions:

- i. What is an archdiocesan corporation?
- ii. How does each archdiocesan corporation relate to the archdiocesan Church?
- iii. What is the corporate structure of the archdiocesan Church under civil and canon law?

An archdiocesan-affiliated corporation is an agency or program that participates in the Church’s mission by assuming legal status as a not-for-profit corporation under civil law. As a separately incorporated organization, it can advance the particular objectives and goals of the corporation while still guaranteeing the corporation’s vital relationship with both the Church and its Chief Shepherd.

Before addressing the structure and function of the corporation, it may be helpful to see how the corporation relates to the bigger picture — the Church.

The starting point is the Church that Jesus established and that subsists in the Catholic Church present here in and through the Archdiocese of Washington in the District of Columbia and in five Maryland counties, Montgomery, Prince George's, Calvert, Charles and Saint Mary's.



"Christ among the Doctors of the Law"
(Paolo Caliari, 16th century)

This Church instituted by Christ and alive through the power of the Holy Spirit is both visible and spiritual. The *Catechism of the Catholic Church* quotes the Second Vatican Council: "The one mediator, Christ, established and ever sustains here on earth his holy Church, the community of faith, hope and charity as a visible organization through which he communicates truth and grace to all men" (*Lumen Gentium* 8). This one visible Church is at the same time a "society structured with hierarchical organs and the mystical body of Christ; the visible society and the spiritual community; the earthly Church and the Church endowed with heavenly riches"

(*Lumen Gentium* 8)

POLICIES

Every Catholic and each agency, entity or program that claims to carry on the work of the Church must maintain communion with the Church through communion with the bishops. Unity takes on a very visible expression. Our communion is manifest in how we work together. Solidarity is the practical expression of our oneness. All the members of the body — though different — work together, as Saint Paul reminds us in both his letter to the Ephesians (4:4-11) and his first letter to the Corinthians (12:4-14).

The touchstone for the unity of the local Church is the bishop. As a successor to the apostles and head of the local Church, he is the one who validates all ministry exercised in the local Church and authenticates what is proclaimed in the name of the Church. The bishop is responsible not only for the unity of the local Church, but for its communion with the Pope, as the successor of Peter, and therefore, its communion with the Church Universal. Thus the bishop has a special role in overseeing the proclamation of the Gospel — the teaching of the faith, the faithful celebration of the Liturgy and the pastoral care of the faithful.

In some instances, this episcopal ministry of oversight is done directly through 140 parishes, missions and communities throughout the archdiocese where most of the faithful regularly experience the life of the Church. In other cases, the bishop's responsibility for oversight is carried out through the several separately incorporated affiliated agencies. The affiliated corporations participate in the Church's mission through education and the corporal works of mercy. Also assisting the bishop directly in his ministry are the offices of the central pastoral administration coordinated through the Moderator of the Curia.

Corporate Structure and Legal Status

Under Canon Law, the Roman Pontiff is responsible for the worldwide stewardship of the Catholic Church and is supreme administrator of all ecclesiastical goods (Canon 1273). The Archbishop is responsible for supervising the administration of all resources of the archdiocese and for the management of archdiocesan organizations (Canon 1276). As stated in Canon 1276: “It is for the Ordinary to exercise careful vigilance over the administration of all goods which belong to public juridic persons subject to him ...[and] to take care of the ordering of the entire matter of the administration of ecclesiastical goods by issuing special instructions within the limits of universal and particular law.”



*The Archdiocese is a chartered corporation,
established by Act of Congress in 1948.*

Under civil law, the Archdiocese is a chartered corporation, established by Act of Congress in 1948. This Act declared the Roman Catholic Archbishop of Washington and his successors in office to be a Corporation Sole. This is a corporation which consists of one person only—the Archbishop—and is registered in the name of the Archbishop as “Roman Catholic Archbishop of Washington, a Corporation Sole.”

Although the legal structure may seem complex, it is necessary to comply with both civil law and Canon Law. The fact that a diocesan organization may be a distinct legal entity under civil law does not relieve Church leadership of its canonical responsibilities. The following description provides the rationale for the structure of the corporation you are now serving.

Pursuant to civil law, an archdiocesan ministry may assume legal status as a not-for-profit organization entitled to all the rights, powers, privileges, and responsibilities which attach to such status. As a corporation, each such organization operates pursuant to its Articles of Incorporation and its Bylaws, conducts its business under the direction of a Board of Directors and through its officers, and is legally liable only as a corporate entity.

A not-for-profit corporation has no real equity “owners” but may, if it chooses, operate through designated members whose powers are delineated in Articles of Incorporation and the Bylaws. In this regard, the Archdiocese has chosen to utilize the membership structure and the members of archdiocesan organizations are denominated “Corporate Members.” These include the Archbishop, the Moderator of the Curia and the Chancellor. As permitted by civil law and described in the Bylaws, these Corporate Members have certain “reserved powers.”

In accordance with its Bylaws and subject to the ‘reserved powers’ of its Corporate Members, the business affairs and legal powers of each corporation are exercised by or under the direction of its Board of Directors. Also in accordance with the Bylaws and subject to the direction and policy guidance of the Board of Directors, the President/Chief Executive Officer is responsible for all day-to-day operations and financial management.

The purpose of this document is to help provide to the members of the Boards of Directors and Chief Executive Officer of archdiocesan-affiliated corporations guidance for governing the organization in accordance with the Bylaws and to help explain the reserved powers of the Corporate Members.

RESERVED POWERS

The reserved powers are as follows:

- i. Oversight and authentication of the corporation’s mission
- ii. Adoption or amendment of a mission statement
- iii. Amendment of the Articles of Incorporation and the amendment of the Bylaws
- iv. Election and removal of members of the Board of Directors and the filling of vacancies that may occur
- v. Appointment and termination of the President/Chief Executive Officer (CEO)

- vi. Purchase, acquisition, sale, lease, disposition or hypothecation of real property by the corporation
- vii. Approval of the borrowing of money or guarantee of any obligations
- viii. Approval of any budget which reflects an operating deficit
- ix. Approval of fiscal auditors; and
- x. Merger, liquidation, dissolution, winding up or abandonment of the corporation

Set forth below is an explanation of the reserved powers and the policies and procedures that relate to them.

A , B Mission Statement (Catholic Identity)

Policy

Given the unique Catholic identity and mission of the corporation and the need to protect and preserve that mission, the Board of Directors will obtain the approval of the Corporate Members prior to making any changes to the Mission Statement of the corporation.

Procedures

- i. The Board of Directors will ensure the corporation operates in accordance with the Mission Statement of the particular organization. Annually, the Board should review and, if necessary, propose changes to the

Mission Statement of the Corporation for consideration by the Corporate Members.

- ii. The Board of Directors and CEO will plan and implement programs and activities to make the public aware of the Catholic character of the organization. A description of these programs and activities will be included in the annual report to the Corporate Members.
- iii. The Board of Directors and CEO will plan and implement programs and activities to make the staff aware of the Catholic character of the organization. This should be reflected in clearly written human resources policies and procedures to ensure the staff acknowledges its responsibility to support and uphold the teachings of the Church.
- iv. If applicable, the corporation's investment policy should be consistent with the Socially Responsible Investment Guidelines of the United States Conference of Catholic Bishops.
- v. To ensure the corporation maintains its exempt purpose and Catholic identity in accordance with the bylaws, the Board of Directors will:
 - Review and approve short-range and long-range strategic plans
 - Review and evaluate written operating policies and procedures for the organization
 - Ensure that the organization's policies and procedures are in accord with local, state, and federal laws

- Engage legal counsel, if deemed necessary; and
 - Perform other customary duties of a board of directors of a not-for-profit organization except as to limitations enumerated in the by-laws
- vi. To ensure that the objectives of the Archdiocese are accomplished, in the absence of existing policy, each organization will seek guidance from the Archbishop or his representative before taking action in new or unusual situations that might have an important bearing on common goals or Catholic identity of the corporation.

C. Amendment of Governing Documents

Policy

The Board of Directors is responsible for the governing of the incorporated organization in accordance with the established articles of incorporation and bylaws and these *Policies for Archdiocesan Corporations*. Although only the Corporate Members may amend the governing documents, the Board of Directors is empowered to ensure that the corporation is operated in accordance with its bylaws.

Procedures

The Board of Directors will advise the Corporate Members of any legal requirements or other situations which may require a revision of the bylaws and will furnish this information for action to the Corporate Members.

D. Election and Removal of Members of the Board of Directors

Policy

The business and affairs of the corporation shall be managed under the direction of the Board of Directors. To assure the preservation of the mission of the Archdiocese and to provide for the observance of Canon Law in the governance of its affairs, the Board of Directors shall be elected by the Corporate Members in accordance with established criteria.

Criteria for Selection of Candidates for the Board of Directors

- i. Willingness to support the mission of the Archdiocese
- ii. Reputation for integrity
- iii. Adequate time, energy and commitment to participate cooperatively in the Board's activities
- iv. Demonstrated capabilities in perception, judgment, and implementation of decisions
- v. Diversity of background, talent, experience, and geographical representation needed for the Board at the time of selection
- vi. If Catholic, be a practicing member of the Catholic Church who supports the teachings of the Church. If not a Catholic, a commitment to

support and uphold the Catholic identity and the purpose of the corporation

Procedures

The following procedures are to be followed for both interim and regular appointments and reappointments to fill vacancies on the Board of Directors:

- i. The Board and CEO will determine board skills needed.
- ii. The Board (through its nominating committee, if applicable) will develop a list of potential candidates and provide the names to the CEO.
- iii. The CEO will submit a brief biographical statement (including the candidate's parish, if applicable) to the Corporate Members for initial consideration.
- iv. If the candidate is accepted for nomination, the Board (through its nominating committee, if applicable), through a formal motion, will request that the Corporate Members approve the nomination.
- v. The resolution submitted to the Corporate Members should include the term of office for each nominee.
- vi. The Corporate Members will advise the CEO of the action taken.
- vii. A letter of appointment (or reappointment) will be sent from the Archbishop to the director.

E. Appointment and Evaluation of the President/Chief Executive Officer

Policy

Given the unique Catholic identity and mission of the corporation and the need to protect and preserve that mission, the President/Chief Executive Officer shall be appointed and may be removed by the Corporate Members. The President/Chief Executive Officer is responsible to the Board of Directors and is subject to annual performance evaluation by the Board of Directors, which evaluation shall be submitted to the Corporate Members.

The President/Chief Executive Officer shall perform duties and functions that include, but are not limited to, those specified in the bylaws of the corporation.

Criteria for selection include, but not limited to:

- i. Willingness to support the mission of the Archdiocese
- ii. Reputation for integrity and working with the highest professional standards
- iii. Demonstrated ability to manage, plan, organize, direct, supervise and coordinate the day-to-day administrative and fiscal operations of the corporation
- iv. Catholic preferred; if Catholic, be a practicing member of the Catholic Church who supports the teachings of the Church; if not a Catholic, a commitment to support and uphold the Catholic identity and the purpose of the corporation

Procedures

Appointment of New Chief Executive Officer

- i. Upon a vacancy occurring in the position of chief executive officer (CEO), the Chair of the Board of Directors will confer with the Archbishop or designee on the appointment of a new CEO.
- ii. The Board of Directors will perform a search for candidates to fill the CEO position. The Board may use a professional search firm to share responsibilities.
- iii. The Board Chair or head of a search committee of the Board will submit resumes of the top candidates (no more than 3) to the Corporate Members for initial review. This information should also include proposed terms and compensation recommendation for each candidate.
- iv. Once the Corporate Members have completed their review, the Board will choose its top candidate and through a formal motion, request that the Corporate Members approve the appointment. The request for approval should include the expected terms of employment and compensation.
- v. The Corporate Members will act upon the Board's motion and advise the Board Chair of the action taken.

- vi. A letter of appointment from the Archbishop will be sent to the new CEO.

Reappointment of Current Chief Executive Officer

- i. Before the beginning of each fiscal year the Board and CEO should agree, in writing, to the goals and accomplishments to be achieved by each CEO and each respective corporation.
- ii. Annually the Board will perform an evaluation of the CEO and approve all aspects of the CEO's compensation in accordance with the safe harbor provisions of the Internal Revenue Code concerning private inurement.
- iii. The Board of Directors (or Board-appointed Compensation Committee Chair) will submit a resolution, evidence of compliance with the safe harbor provisions and the annual performance evaluation to the Corporate Members.
- iv. The Corporate Members will act upon the Board's resolution and advise the Board Chair of the action taken.

F. Real Property Transactions

Policy

The purchase, acquisition, sale, lease, disposition, trade, or hypothecation (i.e. use as collateral) of land, land improvements or buildings is a reserved power of the Corporate Members.

Procedures

- i. The CEO will prepare and submit to the Corporate Members for authorization a request to proceed with:
 - All plans for real property transactions
 - All other major plans for land improvement
 - Any plan for a capital campaign
- ii. All submissions will include cash flow projections for both the construction/acquisition as well as for, at minimum, the first 5 years of operations of the facility.
- iii. The CEO will prepare and submit to the Corporate Members a quarterly progress report on all projects with budgets in excess of \$100,000, if requested.
- iv. The Board will adopt a gift acceptance policy addressing acceptance of real estate which protects the corporation from liabilities of all kinds, including without limit, environmental and financial liabilities.

F. Borrowing Money or the Guarantee of any Obligations

Policy

Prior to making or executing any commitment for borrowing money or guaranteeing any obligation, other than *de minimus* amounts used for general operations, the

Board of Directors will obtain the approval of the Corporate Members.

Procedures

- i. For capital borrowing, at the point a project requiring debt is deemed to be viable and the pro forma financing plan is prepared, the CEO will provide the project description and financing plan to the Corporate Members.
- ii. The CEO will carry out the appropriate investigation and preliminary negotiations with lending institutions. The Board will submit a resolution to incur indebtedness (or to provide a guarantee) with supporting forms and documents to the Corporate Members for approval. Only after Corporate Member approval may legal documents obligating the corporation be signed.

H. Approval of Budgets

Policy

Corporations will prepare operating and capital budgets for review and approval by the Board of Directors, maintain sound internal control environments, and accumulate accurate and meaningful financial and service statistics. If the budgets show outflows in excess of revenue, the budget must be reviewed and approved by the Corporate Members before the start of the relevant fiscal year.

Procedures

- i. At least 45 days prior to the start of the applicable fiscal year, the CEO will submit the working budgets (both capital and operating) to the Chief Financial Officer of the Archdiocese of Washington.
- ii. If a deficit operating budget is being proposed, it must be submitted to the Chief Financial Officer of the Archdiocese of Washington at least 60 days prior to the start of the applicable fiscal year. The budget should be accompanied by a rationale for deficit spending and a plan to address rebuilding net assets.
- iii. The Corporate Members, after any necessary clarification, will notify the CEO of its decision regarding the proposed deficit budget.
- iv. Corporations will follow generally accepted accounting principles for both budget and historical financial reporting.
- v. For the benefit of parishes and organizations of the Archdiocese as a group, cost-saving programs including insurance, payroll services and benefit plans are administered by the central staff of the Archdiocese and shall be included in the Corporation's budget. To ensure current rates are included in the budget, management should contact the Controller of the Archdiocese.

I. Approval of Independent Auditors

Policy

The selection of the fiscal auditors is a reserved power of the Corporate Members.

Procedures

- i. The Board of Directors will recommend the appointment of the independent auditors to the Corporate Members. The recommendation must be made at least six months prior to the fiscal year-end subject to audit. If new auditors are being proposed, the Board must obtain at least three proposals from independent firms and submit an analysis and rationale for its recommendation.
- ii. The Board of Directors may expand the scope of the audit. The CEO, in consultation with the Finance and/or Audit Committee of the Board of Directors, will be responsible for negotiation with the audit firm on such expansion including fees, scheduling, and budgeting of time.
- iii. The Board of Directors will submit an evaluation of the auditor's recommendations (management letter) along with management's plan for implementation of recommendations to the Corporate Members.

- iv. Following the Board's acceptance of the audited financial statements, a secured copy of the audited statements should be made publicly available.

J. Termination of the Corporation

Policy

The merger, liquidation, dissolution, winding up, or abandonment of the Corporation is a reserved power of the Corporate Members.

Procedures

- i. Should the Board of Directors determine termination or restructuring the Corporation is in the best interest of the Archdiocese or the Corporation, a meeting with the Corporate Members should be requested.

REPORTING TO THE CORPORATE MEMBERS

Policy

The Board of Directors will keep the Corporate Members advised as to its activities and at least once each year will formally report to the Corporate Members.

Procedures

The CEO will assist the Board in the preparation and presentation of its formal annual report to the Corporate Members by November 1 for the fiscal year ended June 30.

Annually

The Board Chair and CEO will present an annual report to the Corporate Members in such format as desired by the Corporate Members. This report will include:

- i. The activities, achievements, and programs of the organization as they relate to its short-term objectives and long-range goals; This should include both quantitative and qualitative information regarding services provided
- ii. A discussion of the most recent audited financial statements and of any managements letters of the auditor, together with an action plan for implementing all accepted recommendations
- iii. A discussion of the status of the long-term strategic plan
- iv. If applicable, a discussion of the implementation of the findings and recommendations of accrediting agencies
- v. A discussion of the programs and activities designed to make the public and the corporate staff aware of the Roman Catholic character of the organization and its upholding of the teachings of the Church
- vi. A statement on the status of filings to maintain tax exempt status

- vii. A status report on outstanding litigation and significant legal affairs
- viii. A report on the results of the annual conflict of interest review
- ix. A statement as to whether the current independent auditors are to be reappointed or whether proposals are to be solicited

Quarterly

The CEO will submit a quarterly report including comparative statements of financial position for the most recent quarter and the prior fiscal year-end; cumulative comparative statements of activities through the quarter-end of the most recent and prior year and a narrative with financial highlights and issues or areas of concern noted. The report is to be transmitted to the Controller of the Archdiocese before the 25th of the month subsequent to the quarter end addressed in the report.

Corporate Liaison

To facilitate communication with the archdiocese by the corporation's board and management, a person, either a member of the board of directors or another, should be designated to serve as liaison. The corporate liaison is to be informed in advance of the agenda and the topics to be discussed at the meetings. Any corporate liaison who is not a director shall not be entitled to vote.

COMPLIANCE WITH LAWS AND REGULATIONS

Policy

All corporations are to be governed and operated in accordance with the laws and regulations of the applicable jurisdictions.

Procedures

- i. The Board of Directors should ensure it has within its members, persons with knowledge of the laws and regulations of the applicable jurisdictions or should arrange to have access to persons with such knowledge.
- ii. Although this is only a partial listing of laws and regulations which impact not-for-profit organizations specifically, these are important areas for Board of Directors oversight:
 - Ensuring the maintenance of tax exempt status
 - Complying with all rules concerning:
private inurement and conflict of interest

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