

# Church indebtedness

## **CANON XXVII “OF CHURCH INDEBTEDNESS AND ALIENATION OR ENCUMBRANCE OF PROPERTY” provides:**

SECTION 1. ...

SECTION 2. All grants sought by a parish or mission, and all indebtedness to be incurred by them, shall require the approval of the Bishop and the Standing Committee, acting on the advice of the Committee on Church Indebtedness, except:

- (a) Indebtedness for permanent improvements, replacements or additions to real estate or equipment, where the total indebtedness of the parish or mission, shall not exceed one hundred and fifty percent of its average annual receipts during the past three years.
- (b) Indebtedness for current expenses where the total of such indebtedness shall not exceed twenty percent of the total current revenues of such parish or mission during the preceding fiscal year.
- (c) In computing receipts under paragraphs (a) and (b) of this section, receipts from or for endowments or from bequests shall not be included.

SECTION 3. Under circumstances requiring approval of debt, such approval shall not be granted unless the payment of all such indebtedness shall be specified in a plan of amortization or other method of payment submitted with the application and approved by the lender.

SECTION 4. When the Vestry or Mission Committee shall deem it expedient to alienate or encumber real property belonging to the parish or mission, the consent of the Bishop and Standing Committee, acting on the advice of the Commission on Church Indebtedness if an encumbrance is proposed, shall be obtained in the following manner:

- (a) The resolution to alienate or encumber shall be adopted by a majority of the Vestry or Mission Committee.
- (b) Copies of a resolution to alienate shall be forwarded separately to the Bishop and Standing Committee by the Register together with a statement containing the reasons for alienation, the price to be obtained, and the proposed disposition of the proceeds.
- (c) Copies of a resolution to encumber shall be forwarded separately to the Bishop and the Standing Committee and the Commission on Church Indebtedness by the Register together with a statement of the current financial condition of the parish or mission, the amount of the proposed encumbrance, the rate of interest to be paid, the necessity for the encumbrance, the proposed use of the proceeds, and the method of repayment.
- (d) When the Bishop and the Standing Committee have approved the alienation of the real estate and the proposed disposition of the proceeds, and the Vestry or Mission Committee shall thereafter desire to use such proceeds in some other manner, a resolution setting forth the proposed new disposition shall be forwarded separately to the Bishop and Standing Committee for their approval.
- (e) The status of the funds from the disposition of alienated property, as approved in writing by the Bishop and the Standing Committee, shall be reported to the Bishop under “Report of Other Parish Funds” in the Annual Parochial Report.

SECTION 5. The Commission on Church Indebtedness shall recommend approval of grants to, or indebtedness or encumbrances by, parishes or missions only if it believes that the overall financial circumstances justify such approval. The Commission also shall make known the availability of Diocesan funds for any such requested grants or indebtedness.

SECTION 6. This Canon shall not apply to the refinancing of existing loans.