



CATHOLIC
Community Foundation
ARCHDIOCESE OF BALTIMORE



Frequently Asked Questions

What is the Catholic Community Foundation of the Archdiocese of Baltimore, Inc.?

The Foundation is a non-profit organization established in 1998 to provide endowments for the Archdiocese of Baltimore and its parishes, schools, agencies and organizations.

What is the purpose of the Foundation?

The Foundation was established to provide a means for individuals and organizations to provide long-term financial stability for the Archdiocese of Baltimore and its churches, schools, agencies and organizations. Through the creation of individual endowments, the Foundation provides a means to generate income to help sustain the long-term strength and viability of these Catholic institutions.

What is an endowment?

The Foundation uses the strict definition of endowment: a permanent fund, the principal of which is never touched but the income from which can be used in accordance with the wishes of the donor, organization, or individual. The principal as it is defined includes the initial contribution given to establish the endowment as well as all additional contributions to the endowment. The assets of the Foundation grow through sound investment policies and from additional gifts. An endowment fund should not be confused with a capital fund, a reserve fund or a special projects fund, all of which generally allow expenditures of principal.



CATHOLIC *Community Foundation* ARCHDIOCESE OF BALTIMORE



Why would an individual or Catholic entity want to create an endowment fund?

In general terms, by creating an endowment, an individual can take another step in living out a life of stewardship - giving of time, talent and treasure in gratitude for God's many gifts. Just as we have the opportunity to make our gifts of treasure from our monthly income, we also have an opportunity to give from our accumulated assets to endow the church of the Archdiocese of Baltimore. By creating an endowment, a Catholic entity such as a parish or school can tell the community that the parish or school is providing for the future and intends to continue serving the community for many years to come. In specific terms, an endowment fund provides a permanent and secure source of income, which can ensure the future of our Catholic parishes, schools, agencies and organizations. Over the past 25 years, the most stable and effective colleges have established endowment funds. Likewise, it is important that our archdiocesan programs and other Catholic entities have endowments to ensure their stability and effectiveness into the future.

What has the Foundation accomplished so far?

As of June 30, 2015, the Foundation had over 400 endowments established by individuals or Catholic entities. Total assets were \$50 million.

Do individuals receive any recognition for making a planned gift to the Foundation?

Yes, anyone who agrees to make a planned gift to the Archdiocese of Baltimore or any of its parishes, schools, agencies or organizations can be a member of the Legacy League. The Legacy League is the Archdiocese's way of honoring the Christian generosity of Catholic friends who are providing for the future of the church. Individuals can become a member of the Legacy League by leaving a bequest in a will, a gift of life insurance, a gift of real estate or a life income arrangement such as a trust or annuity.

Who manages the Foundation?

The Foundation is managed by a Board of Trustees comprised of the Archbishop of Baltimore, clergy and lay people. The Board's objective is to pursue an investment policy consistent with reasonable growth while prudently safeguarding the principal. The directors are leaders in their parishes and communities and are accountable to both donors and recipients. As good stewards, they have hired professional investment counsel to manage and invest the assets of the Foundation and are able to provide audited financial statements.



CATHOLIC *Community Foundation* ARCHDIOCESE OF BALTIMORE



What are the investment goals for the Foundation?

The investment goals for the Foundation, ranked in order of priority, are: To preserve capital through establishment of and compliance with prudent investment standards, to provide growth in principal combined with a sufficient return on investment that will generate a continuing rise in income, to invest in such a manner as to satisfy anticipated liquidity requirements, and to provide sufficient diversification so as to minimize exposure to loss.

What is your income distribution policy?

The Foundation has initiated a total return concept as it relates to investing permanent endowment assets. This is a concept widely used in the non-profit field, particularly in foundations, colleges and universities, and allows the foundation to invest its funds in the most advantageous vehicle to provide a reasonable return. In a total return environment, distributable income is based on the investment return of the fund regardless of whether that return was fueled by dividends, interest or appreciation.

The Foundation utilizes the “Yale Method” in calculating the annual distribution as follows: the allowable spending in any fiscal year is equal to 70% of the allowable spending in the prior fiscal year, increased by the rate of inflation, and; 30% of the long-term spending rate of 4% applied to the 12 quarter market average of the funds for the period ending December 31 prior to the start of the fiscal year. The effective spending rate shall be between 3% and 5%.”

Why does the Foundation limit the income distribution to between 3 and 5%?

Limiting the distribution helps meet the investment objective of providing growth in principal combined with a sufficient return on investment to generate a continuing rise in income over time. The 5% limit allows a portion of the income to be reinvested in the principal so as to build the endowment. For example, if the total annual return on an endowment of \$100,000 averages 10%, the amount available for distribution over a period of ten years (assuming a 5% payout policy), would be approximately \$63,500. If the same amount had been invested in a C.D. or Treasury note earning 5%, the amount earned over ten years would be approximately \$51,200 (assuming the income was withdrawn each year). By the eleventh year, the amount of endowment income available for distribution would have increased to approximately \$8,300, whereas the C.D. or Treasury note would still be earning only \$5,120 annually. Additionally, the total value of the endowment at the end of ten years would have increased to approximately \$169,500, whereas the C.D. or Treasury note would still have a value of only \$100,000.



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Once a Catholic entity sets up an endowment, can that entity take out money from the principal for other purposes such as capital projects?

No, all endowments are permanent and, thus, the endowment principal cannot be withdrawn and used for other purposes. The income from the endowment, however, may be used for purposes such as capital projects unless restrictions on the endowment prohibit that.

How much money is necessary to start an endowment fund?

A gift commitment of at least \$25,000 and initial contribution of at least \$1,000 or more is required for an individual to set up a named endowment fund.

Can we/I add to our/my endowment fund?

Yes. In fact, most Catholic entities and individuals develop a plan for building their endowment. You may add to your endowment fund in any amount at any time.

Does the Foundation charge a fee for managing endowments?

Yes. The Foundation's fee for management and administration of the endowments is currently 100 basis points or 1 percent, or \$10 for \$1,000 of the balance for the year.

How can I get more information about the Foundation?

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