



Foundation of the Diocese of Charlotte

QUESTIONS & ANSWERS

1 What is the Foundation for the Roman Catholic Diocese of Charlotte?

The Foundation is a non-profit organization established to provide endowments for the Diocese of Charlotte and its parishes, schools, agencies and organizations. The Foundation was established in 1994.

2 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 diocese and its 181 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 in western North Carolina.

3 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.

4 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 the life of stewardship - giving of time, talent and treasure in gratitude for God's many gifts to us. 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 Diocese of Charlotte.

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 diocesan programs such as our seminary program and our other Catholic entities have endowments to ensure their stability and effectiveness into the future.

5 What has the Foundation accomplished so far?

On June 30, 2024, the Foundation completed its 30th year of operation. During that time, 367 endowments were established by individuals or Catholic entities. Total assets at the end of June 30, 2024 were more than \$96 million.

6

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

Yes, anyone who agrees to make a planned gift to the Diocese of Charlotte or any of its parishes, schools, agencies, or organizations can be a member of the Catholic Heritage Society. The Society is the diocese'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 Catholic Heritage Society by leaving a bequest in a will or revocable trust, a gift of life insurance, a gift of real estate, a gift from a retirement plan, a life estate gift or a life income arrangement such as a trust or annuity. As of June 2024, over 1,700 individuals are members of the Catholic Heritage Society.

7

Who manages the Foundation?

The Foundation is managed by a Board of Directors composed of 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 have had the Foundation's year end financial statements audited by Deloitte & Touche LLP. The Diocese also has an Investment Committee.

8

What are the investment goals for the Foundation?

The investment goals for the Foundation, ranked in order of priority, are:

1. To preserve capital through establishment of and compliance with prudent investment standards.
2. To provide growth in principal combined with a sufficient return on investment that will generate a continuing rise in income.
3. To invest in such a manner as to satisfy anticipated liquidity requirements.
4. To provide sufficient diversification so as to minimize exposure to loss.

9

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 annual income distribution available to the endowment funds is currently at 5% of the endowment's average asset value. The initial income distribution will be available after the endowment fund's first anniversary and will be based on 5% of the endowment's 4-quarter average asset value. Annual income distribution thereafter will be calculated on 5% of the accumulated quarterly average asset value - i.e., the second year's distribution will be based on the 8-quarter average asset value; and the third year based on the 12-quarter average asset value. Thereafter, annual income distribution will be calculated on 5% of the moving 12-quarter average asset value of the endowment fund. Because of this averaging, the effect of temporary fluctuations in the market will be smoothed out, thus making it easier for endowments to anticipate their available amount for distribution. Distributions cannot be made that would result in the endowment fund value falling below the principal amount.

Since inception, the Foundation has made over \$17 million in distributions from its endowments.

10 Why does the Foundation limit the income distribution to 5%?

Limiting the distribution to 5% 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 \$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 \$100,000.

Another example from one of our parish endowments further makes the point on why we limit distributions to 5% - Crosswell and Ethel Regan always loved Forest City and the Catholic Church. They converted to the faith in their mid-sixties, and they were an active part of the community and Immaculate Conception Church until they passed away within months of each other. After their deaths in 1997, they willed all their possessions to the church. In all they left \$400,000 to the church which was put into an endowment for Immaculate Conception. Since that time, the church has received over \$722,000 in income from the endowment while the principal amount in the endowment itself has grown to over \$634,000. The endowment will continue to provide income every quarter in perpetuity.

The good news is that the endowment principal will continue to grow and at the same time it will generate a continuing rise in income. The endowment has already provided income greater than the amount of the initial bequest of the Regans. In addition, the endowment will continue to provide income every quarter in perpetuity. Not only has the church more than recouped its initial investment, but it will also continue to receive income that over time will grow into millions of dollars to benefit Immaculate Conception Church.

11 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 can not be withdrawn and used for other purposes. The income from the endowment, however, may be used for purposes such as capital projects unless prohibited by restrictions on the endowment.

12 How much money is necessary to start an endowment fund?

An initial gift of \$2,500 or more is required for a Catholic parish, school, agency or organization to set up a separate endowment. An initial gift of \$25,000 or more is required for an individual to set up a separate endowment.

13 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.

14 Does the Foundation charge a fee for managing endowments?

Yes. The Foundation's fee for the investment management, administration of the foundation, and our extensive marketing efforts is currently 1.5% of the endowment balance (\$15 per \$1,000) for the year.

15 How can I get more information about the Foundation?

Email or call Gina Rhodes, Director of Planned Giving at gmrhodes@rcdoc.org, 704-370-3364.



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Diocese of Charlotte

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