

Frequently Asked Questions About The Archdiocese of Detroit Endowment Foundation Parish Endowment Fund Program

This information is provided for those parishes in the Archdiocese of Detroit considering participation in the Archdiocese of Detroit Endowment Foundation (“the Foundation”) Parish Endowment Fund Program.

1. Why have an endowment?

Some of the many reasons for a parish to establish an endowment are —

- 1) To provide a stable source of income for operations or special ministries and programs, which will grow as the value of the endowment fund increases.
- 2) To enhance annual fund raising to introduce new programs or special projects.
- 3) To provide a vehicle for parishioners to leave a legacy as part of their estate and financial planning.

2. For what purposes might a parish establish a Parish Endowment Fund?

A parish might establish a Fund to support parish ministries or address special needs as determined by the pastor in consultation with the Parish Pastoral Council.

3. How and when are earnings from the Parish Endowment Fund Program distributed?

The net income of the Fund is distributable annually. The *Resolution* defines “net income” as an amount equal to 5.25 percent of the Fund’s pro rata share of the net investment assets of the Foundation.

4. What is meant by the term “net investment assets?”

The *Resolution* defines “net investment assets” of the Foundation as the twelve-quarter rolling average of the fair market values of the assets invested by the Foundation determined as of June 30 of the fiscal year prior to the year of distribution, less any indebtedness incurred by the Foundation in acquiring those assets.

The Foundation’s Board of Trustees approves the distributable amount at its annual meeting, generally held in the fall. A parish has until the following June 30 to withdraw the distributable amount from its Fund. Amounts not withdrawn are added to the principal of the Fund on July 1.

5. What happens to the rest of the Parish Endowment Fund’s earnings in a year when the return exceeds 5.25 percent?

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All earnings allocated to the Fund in excess of the 5.25 percent amount distributable to the parish are added to the principal of the Fund. No part of these excess earnings may be withdrawn for any purpose without the consent of the Archbishop of Detroit.

Illustration:

Average value of Parish Endowment Fund (Year 1).....	\$ 100,000
Net rate of return	<u>8%</u>
Net earnings (assumes the annual management expenses of the Foundation have been deducted)	\$ 8,000
5.25% distributable to the parish.....	<u>(5,250) *</u>
Amount added to Parish Endowment Fund principal	<u>\$ 2,750</u>
New Principal in Parish Endowment Fund (Year 2).....	\$ 102,750

* The parish may choose to withdraw this portion of the Fund’s earnings consistent with its Fund’s purpose, or it may add them to Fund principal. This illustration assumes the amount is withdrawn.

Average value of Parish Endowment Fund (Year 2).....	\$ 102,750 **
Net rate of return.....	<u>8.4%</u>
Net earnings.....	\$ 8,631
5.25% distributable to the parish.....	<u>(5,395)</u>
Amount added to Parish Endowment Fund principal	<u>\$ 3,236</u>
New Principal in Parish Endowment Fund.....	\$ 105,986

** The illustration assumes values did not change from Year 1 to Year 2. However, in reality, the value in Year 2 would reflect any change in market value of the invested assets.

6. What does the Foundation distribute in a year when earnings are less than 5.25 percent?

In a year that Fund earnings are less than 5.25 percent, the Foundation will make up the shortfall from Fund principal so that the parish can enjoy an annual distribution equal to 5.25 percent.

7. Are there other instances that allow for the principal to be distributed to parishes?

Generally, no. No part of the principal of any Fund may be withdrawn for any purpose without the consent of the Archbishop of Detroit, unless such withdrawal is necessary to meet the guideline for distribution of “net income” in the previous question.

8. What other contributions may be added to a Parish Endowment Fund?

Other contributions that may be made to augment Fund assets are: 1) all or a portion of the annual distributable earnings that a parish elects to reinvest; 2) transfers and contributions from other funds established to benefit a parish, whether the endowment fund is now in existence or is to be established in the future; 3) individual gifts, bequests, grants and other contributions designating the Fund as the beneficiary, or 4) undesignated individual gifts, bequests, grants and other contributions directed to the Fund under parish policy.

9. Who retains legal control of the Parish Endowment Fund?

Assets invested in the Parish Endowment Fund Program are the sole and separate property of the

Archdiocese of Detroit Endowment Foundation. Parish Fund assets in the custody or control of the Foundation are not subject to assignment, pledge, attachment, or the claims of creditors of the Archdiocese of Detroit, any parish within the Archdiocese, or any other archdiocesan-related organization, institution or any individual beneficiary.

10. Who is in charge of investing Parish Endowment Fund assets?

The investment of Fund assets, like other assets controlled by the Foundation, are under the control and supervision of the Archdiocese Finance Council and are monitored by the Board of Trustees as set forth in the bylaws of the Foundation. Fund assets are managed in accordance with the archdiocese investment guidelines. The investment objective of the Foundation for all assets it holds, including all parish assets in the Parish Endowment Fund Program, is to produce a reasonable return of net income over a reasonable period of time.

11. Will individual Parish Endowment Fund assets be commingled with other assets of the Foundation?

Yes. All Fund assets will be commingled for investment purposes. All assets will be managed and administered by the Foundation as one or more investment funds.

12. Is the archdiocesan cathedraticum of 7 percent assessed against Parish Endowment Fund earnings, gifts and bequests?

The archdiocesan cathedraticum is not assessed on the investment gains of a parish endowment fund. Nor is it assessed on gifts to a parish endowment fund if made as part of a campaign not subject to the assessment, such as the *Changing Lives Together* campaign, or from a parish refund from the annual Catholic Services Appeal campaign. Withdrawals from a parish endowment fund are considered as simply a transfer of cash between accounts and are not assessable.

Gifts and bequests to a parish endowment fund, regardless of designation, are considered parish operating receipts and are assessable.

13. What happens to Parish Endowment Fund assets if the parish ceases to exist?

If a parish or other institution that has established a fund should cease to exist, the assets in the Fund would be used to pay the debts of the parish or institution. Any remaining assets would be distributed according to the specific terms of the original *Subscription Agreement*, or if no terms are stated, according to the Archdiocese of Detroit Policy on Planning for the Use of Funds from the Sale of Property in Parish Mergers.