

St. Anthony of Padua Centennial Campaign
The Parish Endowment

Common Questions and Answers

May 5, 2017

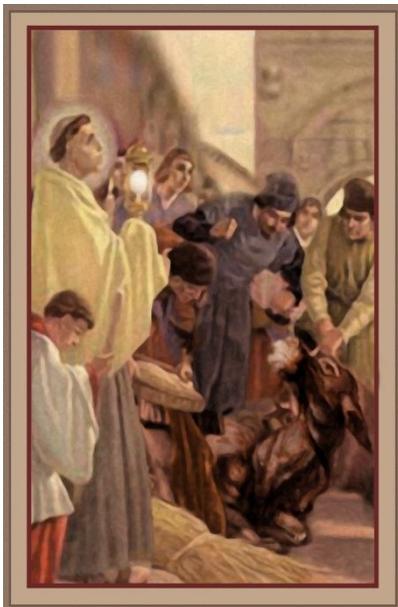
On March 28, 2017, St. Anthony's Finance Council and Parish Council voted to fund a parish endowment.

What is an endowment? "Endowment" refers to funds permanently restricted to use of earnings. For example, if \$100,000 were endowed, the annual *earnings* on that investment could be used, but the *principal* could not.

How will it be funded? St. Anthony's Finance Council will set aside \$100,000 from our savings as seed money to *initiate* the endowment. Through the Centennial Campaign we hope to generate *an additional* \$300,000 over the next five years, growing the endowment to \$400,000.

Will we be asked to make two gifts, one for the remodeling and another for the endowment?

No. Only one gift or pledge. The first \$450,000 in campaign proceeds will cover sanctuary remodeling and painting. In addition, we hope to raise an additional \$300,000 for the endowment, for a single campaign goal of \$750,000.



St. Anthony and the Eucharistic Miracle of the Mule. *Though his master refused to believe in the Real Presence, the mule knew better, bowing to the Eucharist and preferring it over hay and oats. Seeing this sign, the man repented and believed.*

Can I direct my Centennial Campaign gift to either the sanctuary or the endowment? Yes, if you wish. Simply make a note on the pledge form.

Can parishioners leave money in their will for a specific area of parish life? Typically, parishes have sub-accounts within the endowment. In addition to an account to benefit the parish "where needs are greatest," you may direct estate gifts to benefit music ministry, youth ministry, outreach, education, or a host of other areas.

Could there be 'named' gifts to the endowment? Yes. By establishing an endowment as part of our Centennial, it is hoped that parishioners so inclined would direct estate gifts *that would continue to build the endowment*.

For example, a parishioner might leave 10% of their estate for the establishment of the *John and Nancy Doe Fund for Youth Ministry*. Once established, earnings on that gift would be used to supplement the St. Anthony youth program. Children and grandchildren might make additional gifts to build the fund well into the future.

Who would manage the endowment? The Catholic Development Foundation was established in 1985 with the intention of making available to parishes and individuals a vehicle for long-term investing. The volume of assets under management allows the Catholic Development Foundation to negotiate more favorable fee structures with fund managers.

What is the fee charged to manage our endowment? It is fixed at 0.5%, annually, of the endowment value.

Who directs the investments? Who are the fund managers? What control, if any, does the parish have over how the money is invested?

Guiding the Catholic Development Foundation is a board of directors made up of laity and clergy representing fields of expertise and areas in the Diocese of Fargo. An Investment Committee, made of up investment professionals and others oversees all investment activity by the Foundation, providing expert and sound leadership for the Foundation's assets. The parish has no control of how CDF dollars are invested. Each quarter the Investment Committee meets with its Investment Consultant, CapTrust, and representatives from management firms. CapTrust provides a quarterly review of managers, comparable peers and market results, including recommendation on hiring and firing managers. Current investment managers as of May 2017 are:

- National Investment Services Inc., Chicago/Milwaukee - Fixed Income
- Brown Advisory, Baltimore - Large Cap Growth
- Mellon Capital Management, Pittsburgh - Large Cap Value
- LS Investment Advisors, Bloomfield Hills, MI - Large Cap passive balance
- WCM Investment Management, Laguna Beach, CA - International
- Rothschild Asset Management, New York - Small Cap

Can the parish elect to NOT withdraw from the account in a particular years, but reinvest all earnings?

Yes, but it is better to take withdrawals and then make a contribution back to the CDF for the endowment. This creates a clear audit trail, and helps make clear the intent so that generally accepted accounting principles can be properly applied.

What safeguards are in place to ensure the investments reflect Catholic values?

Utilizing USCCB guidelines, the Investment Committee sets parameters for investing and has all companies screened for selected criteria (e.g. Abortifacients, contraceptives, human fetal/stem research, etc.). The Investment Consultant provides the list for the Investment Committee to review and approve. This list is provided to the managers and they code their systems to not allow any investment in the companies on the list.

How are annual disbursements calculated? As of May 2017 (subject to change), disbursements are calculated at 5% of a 5-year rolling average on June 30 of each year – which is the CDF's fiscal year end.

Does the parish receive statements? How often? Yes, Quarterly.

If the parish closes, what happens to the endowment? It follows the parish to the entity it merges with, accordingly to canon and civil laws.

If the parish needs to dip into the principal in an emergency, can they? No. Donor intent would be violated.

Is the Catholic Development Foundation a separate entity from the Diocese? Yes

Is money endowed with the Catholic Foundation safe from lawsuits against the Diocese, should that occur?

The CDF is a separate and distinct corporation. Since assets are endowed the very nature of the foundation implies a fiduciary duty to maintain the integrity of the assets. Lawsuits against the Diocese (or a parish) are not lawsuits against the CDF. It is separate and has the protection of its own corporate veil.

Are there special tax incentives for gifts specifically restricted to endowments? The state of North Dakota has generous tax credit incentives for planned gifts and gifts made to endowments. Check with your tax advisor for details on how to make a qualifying gift. Your advisor can also determine whether these incentives are beneficial for your circumstances.

The Catholic Development Foundation web site provides an overview of the North Dakota Endowment Tax Credit. From <http://www.cdfnd.org/ndtaxcredit>:

A few years ago, the ND legislatures passed a bill that allowed a very generous tax credit to those who make a charitable gift to a ND qualified endowment. If you are a North Dakota resident and make a gift to a ND qualified endowment of \$5000 or more, you are eligible for a 40% tax credit on your ND taxes. Tax credits are much different than a tax deduction because they reduce your tax liability dollar for dollar. The maximum tax credit is \$10,000 for individuals or \$20,000 for married filing jointly. However, credits can be carried over for up to three years.

If I make a gift to the Centennial Campaign, can I restrict it specifically to the St. Anthony Endowment? Yes. If you are anticipating tax credits, however, we urge you to consult with your tax advisor to ensure you meet all the qualifications to be eligible for the credit.