

THE ENDOWMENT

POLICY

OF

THE CATHOLIC DIOCESE OF WICHITA

Purpose

The Endowment Policy of the Catholic Diocese of Wichita was created to provide for the future of Our Lord's mission on earth by ensuring the fiscal security of the Church, its parishes, schools, agencies, related organizations and programs. Endowments supplement and enhance the stewardship principle of sacrificial giving of one's treasure by facilitating opportunities for individuals with accumulated assets to provide for needs of the future. This is an important responsibility of every Catholic.

A balance between serving current needs and planting seeds for future harvest is an important consideration in any financial plan. The funding of specific endowment plans should, therefore, be considered an addition to the critical on-going support of current programs.

An endowment plan is an alternate strategy that allows individuals and families to give in perpetuity to causes in which they believe. An endowment plan, with preservation of the purchasing power of the historical contributions, can provide for the stability and long-term growth of Our Lord's mission through the works of the parish, diocese, and community.

There are three types of endowments: True, Quasi and Term Endowments.

True Endowments are established by donor-restricted gifts and bequests to provide a permanent source of funding. The portion of a True Endowment that must be maintained permanently (invested in perpetuity), not used up, expended, or otherwise exhausted, is the sum total of the historical donor contributions.

The source of funding derived from investment performance may be used in accordance with the purpose of the endowment or it may be allowed to grow for future needs.

Quasi Endowments, often referred to as "funds functioning as an endowment", represent funds invested to provide funding for a long but unspecified period. These funds may be derived from donor-restricted gifts and bequests or from internally designated funds.

The source of funding derived from investment performance as well as the historical contributions may be used in accordance with the purpose of the endowment or it may be allowed to grow for future needs.

Quasi Endowments are not to be established as a substitute for regular savings accounts.

Term Endowments are established by donor-restricted gifts and bequests to provide a permanent source of funding for a specified period of time.

These funds must be treated in accordance with any restrictions placed on the fund by the donor. Upon the expiration of the term, the endowment should be treated as either a true or quasi endowment, according to donor wishes.

Endowments provide opportunity to donors in a number of ways. They:

- Enable individuals and families to support future needs of the diocese, parishes, schools, agencies, and related organizations and programs.
- Provide individuals and families within the diocese the opportunity to establish an instrument for honoring or memorializing a friend or loved one.
- Provide individuals and families a greater degree of flexibility and focus in achieving their personal giving objectives.

Policy and Procedure

I. Participation

Any parish, school, agency, related organization or ministries in the diocese desiring to establish an endowment may do so in accordance with the policy and procedures described here. All endowments shall be deposited in the pooled endowment fund of the diocese.

Acceptance and approval by each parish, school, agency or entity of the Endowment Fund Operating Policy (Exhibit B) and the Endowment Fund Participation Agreement (Exhibit C) will be required for all funds deposited into an endowment.

II. Management

The Development and Planned Giving Department of the diocese will administer the Endowment Policy and Agreements in consultation with the Director of Finance. The Finance Department will provide accounting and financial oversight for all pooled endowment funds. This will diminish the burden and expense of administration for participants.

All pooled endowment funds will be invested through the services of professional investment consultants and managers under the guidelines of the Catholic Diocese of Wichita Statement of Investment Policy, Objectives and Operating Guidelines (Exhibit D).

Each participant will receive quarterly investment reports.

The Catholic Bishop, Ordinary, and Pastor of the Catholic Diocese of Wichita, after appropriate due process and consideration in accordance with Canon and

Civil law, will serve as the final authority to resolve all matters requiring further consideration and ultimate determination.

III. Contributions, investment performance and withdrawal policy.

A. Contributions

Contributions will be accepted at any time. However, all funds will be invested on the first business day of each calendar quarter (January, April, July, October). Contributions must be received at least three business days prior to the last day of the quarter. Contributions received during the calendar quarter, awaiting investment, may be invested temporarily in a short-term investment fund.

When submitting contributions to the diocese, any and all restrictions placed upon the gift (whether the contribution(s) results from donor-restricted gifts, bequests, or internal designations) must be provided to the diocese in writing.

B. Investment Performance

Investment earnings or losses, including fees, will be allocated on a pro rata basis to each participant.

C. Withdrawal Policy

Since the purpose of most endowments is to provide for future needs, the reinvestment of earnings and long-term growth is encouraged. However, to accommodate withdrawals for various purposes of each participant, a withdrawal formula has been established for true endowments. The Diocesan Investment Committee will review the withdrawal formula annually during the month of March. It is recommended that quasi and term endowments follow the same withdrawal formula, with the understanding that some term endowment withdrawal formulas may be directed by donor restrictions.

1. True Endowment

For true endowments, a withdrawal formula has been established and will be calculated as follows: The annual withdrawal limit is set at 4% of the average market value of each participant's fund. The average market value of each participant's fund will be determined annually based on the ending market values for the previous 12 calendar quarters starting with the most recent March 31 quarter end.

For withdrawal purposes, 4% of the average 12-quarter market value will determine the amount that can be withdrawn for the ensuing fiscal year, provided that the withdrawal does not reduce the market value

below the historical contribution amount. For endowments not having a 12-quarter historical performance, the market value will be determined by the number of quarters for which performance is available.

If a withdrawal was not requested in a prior year, it can be withdrawn in a subsequent year as long as it does not reduce the market value below the historical contribution amount.

A Withdrawal Request Form (Exhibit E) along with the average 12-quarter market value calculation example will be provided annually to each participant along with the March 31 quarterly investment report. The completed withdrawal request form must be returned to the Finance Department on or before June 1 in order to accommodate quarterly withdrawals beginning July 1. The need to receive the withdrawal request form 30 days in advance of July 1 is to provide sufficient notification to make investment decisions required to provide adequate liquidity to accommodate the withdrawal requests.

Should participants conclude, after submitting the withdrawal request form, that the funds requested are no longer needed, participants should notify the Finance office and request that the funds not be withdrawn. Otherwise, funds will be distributed to participants in accordance with the submitted withdrawal request form.

2. Quasi Endowment

For Quasi Endowments, there is no required withdrawal formula since both the contributions and investment earnings are eligible for withdrawal. However, to provide for future needs, it may be advisable to consider following the true endowment withdrawal formula.

A Withdrawal Request Form (Exhibit E) along with the average 12-quarter market value calculation example will be provided annually to each participant along with the March 31 quarterly investment report. The completed withdrawal request form must be returned to the Accounting and Finance Department on or before June 1 in order to accommodate quarterly withdrawals beginning July 1. The need to receive the withdrawal request form 30 days in advance of July 1 is to provide sufficient notification to make investment decisions required to provide adequate liquidity to accommodate the withdrawal requests.

Should participants conclude, after submitting the withdrawal request form, that the funds requested are no longer needed, participants should notify the Finance office and request that the funds not be withdrawn. Otherwise, funds will be distributed to participants in accordance with the submitted withdrawal request form.

3. Term Endowment

For term endowments, the withdrawal formula is in accordance with any restriction placed on the endowment by the donor. Upon the expiration of the term, the endowment should be treated as either a true or quasi endowment, according to donor wishes.

IV. Fees

Investment fees will be allocated on a pro rata basis to all participants.

The diocese will assess an administrative fee of 0.0625% quarterly or 0.25% annually to be allocated on a pro rata basis to all participants. This fee will assist in covering a portion of the costs associated with administration, accounting and reporting.

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