



THE CATHOLIC FOUNDATION

for the

ARCHDIOCESE OF DUBUQUE

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Endowment Q&A

What is an endowment?

An endowment is a fund set aside for the long-term benefit of an organization. It is a perpetual fund in which the principal amount is not spent down. Literally, it lasts forever. The initial and additional funds contributed to the endowment are invested, and the earnings are distributed for charitable purposes. An endowment fund is permanent and will generate income to an organization forever.

Why is an endowment important?

We are called to be good stewards of our property, buildings, programs, and services. This includes securing the necessary funds to cover today's expenses as well as building capacity for future growth. Endowments are critical to the long-term survival of nonprofits because they provide a permanent and stable source of funding to an organization.

Why is the endowment with the Catholic Foundation for the Archdiocese of Dubuque?

The Catholic Foundation is uniquely positioned to help Catholic organizations develop and grow an endowment. The Foundation is committed to strengthening Catholic organizations and securing a future, in which they have the ability to withstand adversity, continue operations, and fulfill their critical missions.

How is the 4% annual distribution determined?

The 4% annual distribution is based on the 12 quarter rolling average of the fund balance. If there are not 12 quarters, your total number of quarters are used and the distribution is prorated. (i.e. after one quarter it is 1%, two quarters is 2%, three quarters is 3% of the average balance as described below) Average fund balance is calculated using quarter end dates of 6/30, 9/30, 12/31 and 3/31. Example for a fund with four plus quarters of history: Balances on those dates of \$100k, \$120k, \$115k and \$125k equal an average of \$116,250. 4% of that total (\$4,650 in this example) would be your disbursement amount.

What if the endowment yield is more than or less than 4%?

If the investment returns were greater than 4% that year, the excess would remain in the fund to grow, making future distributions larger. If investment returns were lower than 4%, the Foundation would still disburse the 4% to the organization.

What if more than 4% is needed in a particular year?

There is a consideration in the endowment policy that the pastor can request up to a 10% distribution.

How do we build the endowment?

Endowments can be a very favorable fund for estate gifts. Many donors appreciate the knowledge that their lifelong earnings will not be spent immediately but instead, will become part of a perpetual fund. Therefore, it's important to publicize the endowment and ask parishioners to consider naming the endowment in their will or trust.



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