

Catholic Foundation of Northeast Kansas



FUND POLICIES AND DISTRIBUTION GUIDELINES

ACCEPTED

By the CFNEK Board of Directors

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TABLE OF CONTENTS

1. Fund Development History and Organization.....	1
2. General Policies.....	2
3. Fund Distributions.....	4
Donor Advised Funds	
Endowment Funds	
Gift Annuity Payments	
Scholarship Funds	
Timing of Distributions	
4. Authority to Represent CFNEK	6
5. Fund Raising.....	6
6. Non Profit Tax Status	6

The Catholic Foundation of Northeast Kansas Fund Policies and Distribution Guidelines

1. Fund Development History and Organization

1.1 History

1.1.1 In accordance with Canon Law, Section 492, the Archbishop presides over the Finance Council of the Archdiocese of Kansas City in Kansas. The Board of Directors of the Catholic Foundation of Northeast Kansas and the Advisory Committee for the Archbishop's Call to Share function as committees on development for the Finance Council of the Archdiocese of Kansas City in Kansas. They collectively are responsible for fund raising, planned giving, endowment, annual appeals, and other development activities to benefit the Archdiocese of Kansas City in Kansas. Under the direction of the Executive Director, the Office of Stewardship and Development is responsible to the Archbishop for coordinating fundraising activities, including the Archbishop's Annual Appeal (Call to Share), providing assistance to such activities, accepting and acknowledging all gifts received, and for maintaining records on all gifts received. The Office of Stewardship and Development serves as a liaison to the Archbishop for parishes and organizations considering or mounting campaigns for capital construction or improvements. The Office of Stewardship and Development assists parishes and organizations with services for individuals considering planned gifts to their parish or Catholic organization. The Executive Director of the Office of Stewardship and Development, by virtue of this position, serves as Executive Director of the Catholic Foundation of Northeast Kansas.

1.2 The Catholic Foundation of Northeast Kansas Incorporation

1.2.1 The Catholic Foundation of Northeast Kansas is a non-profit Kansas corporation originally incorporated in 1988 as the Archdiocesan Foundation. Restated and Amended Articles of Incorporation were duly adopted in accordance with the provisions of KSA 17-6602 and KSA 17-6605 in December, 1998. The sole member is the Archbishop of the Archdiocese of Kansas City in Kansas. An appointed Board of Directors provides investment, asset management, custodial and related services to Archdiocesan parishes, schools, ministries, affiliated organizations and to individuals by facilitating charitable giving. The Catholic Foundation of Northeast Kansas (CFNEK) is charged with leadership in organizing, managing, monitoring and assisting in all fund management decisions related to Foundation assets. Assets include proceeds from fund drives, and assets held under trust declaration. Their ultimate objective is the increase of capital resources for support of the Archdiocese of Kansas City in Kansas, parishes, schools, and its non-profit affiliates. Non-appointed Directors shall be the Archbishop and the Chancellor of the Roman Catholic Archdiocese of Kansas City in Kansas. The Chief Financial Officer and Executive Director, Office of Stewardship and Development, serve as non-voting ex officio members of the Board of Directors, by virtue of their employment with the Archdiocese of Kansas City in Kansas.

1.3 Supporting Affiliate Organizations

1.3.1 CFNEK also serves as the member of Archdiocesan affiliate organizations. Organizations who include in their purpose or who exist exclusively to

provide Catholic pastoral care for the Catholic Church in Northeast Kansas are subject to policies and procedures set by their respective Boards of Directors and/or Trustees. These organizations include: Catholic Education Foundation, sole member CFNEK; St. James Academy foundations: sole member CFNEK. Copies of the Articles of Incorporation and By Laws of these organizations shall be kept by CFNEK.

1.3.2 No individual or supporting group shall solicit funds in the name of the Catholic Foundation of Northeast Kansas without the prior approval from the Catholic Foundation of Northeast Kansas.

1.3.3 Any employee, lay leader, or other individual affiliated with the CFNEK shall notify the Executive Director, CFNEK, if ever approached about a possible gift to or through the Catholic Foundation of Northeast Kansas.

2. General Policies

2.1 Endowed funds shall be considered part of (and legally owned by) the Catholic Foundation of Northeast Kansas for the benefit of named beneficiaries and shall be governed by the Articles of Incorporation, Bylaws, and approved procedures.

2.2 All funds, including asset management agreements and quasi-endowed funds (organization designated) will be generally administered directly by the CFNEK.

2.3 The CFNEK is vested with ultimate authority, variance power¹, responsibility and control over the principal and income of each fund. The Board of Directors of CFNEK shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations (if in the sole judgment of the board without approval of any trustee, custodian (bank or trust) or agent) such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Such language will be included in fund documents. Additionally, the CFNEK Board of Directors has the power to remove trustees in certain circumstances.

2.4 Generally, the minimum amounts to establish a Named Fund with the Catholic Foundation of Northeast Kansas are as follows:

2.4.1 Any organization within the Archdiocese of Kansas City in Kansas may establish a named fund with the Catholic Foundation of Northeast Kansas with a minimum initial contribution of \$5,000.

2.4.2 An individual or couple may establish a Donor Advised Fund (DAF) with the CFNEK with a minimum contribution of \$5,000 to benefit a beneficiary that has not yet been designated.

2.4.3 An individual or couple may contract with the CFNEK for a gift annuity with a minimum contribution of \$25,000.

2.4.4 Donors can support students at a Catholic school serving the archdiocese by establishing a fund to benefit Catholic students in a particular field of study, from a particular geographic area, or from a particular school, provided that the students selected for scholarships are selected through objective processes consistent

¹ Per Financial Accounting Standards Board (FASB) 136, variance power affects how funds are treated.

with Catholic school policies. Scholarship funds may be established in honor or in memory of individuals. The minimum fund balance to establish a scholarship fund is \$10,000. Tuition assistance contributions will be directed to the named schools. Donors intending to make unrestricted contributions to Catholic Education Foundation (CEF) funded schools for tuition assistance will be directed to CEF.

2.4.5 Individuals or couples may create endowed funds for a specified purpose or program serving the archdiocese, such as vocations, priest retirement, Hispanic ministry, etc., with a minimum initial fund balance of \$25,000.

2.4.6 All donations are subject to the Gift Acceptance Policy of the CFNEK.

2.5 Naming a Fund:

2.5.1 Each fund shall be named as the Donor wishes, but the CFNEK reserves the right to reject names that it finds objectionable. Certain uniform conventions for the naming of parish or school funds are followed for reporting purposes.

2.5.2 Action to rename a fund might be taken to protect the reputation of CFNEK or the donor, should the reputation of either party come into question.

2.6 Income Distribution Policy:

2.6.1 This income distribution policy applies to endowment funds held in perpetuity and quasi-endowed funds established by institutions or individuals for the benefit of an organization within the Archdiocese.

2.6.2 Endowment is defined as a fund in which the donor stipulates that the corpus must be held inviolate and in perpetuity and invested to generate income to be spent for a specific purpose. In some cases, donors will allow for the corpus of their endowment to be spent. This is categorized as a temporary endowment.

2.6.3 Funds that are designated as endowment by a parish or school are called quasi-endowment. These funds are also invested for the purpose of generating expendable income for a given purpose, but, as the funds are internally designated as endowment, a parish or school (finance council or governing board) can decide to spend the funds at any time with the approval of the CFNEK Board of Trustees.

2.6.4 The following policy on distributions became effective July 1, 2015: If a fund is investment 50% or greater in the Equity Portfolio (EP), the available annual distribution will be 4% of the average of the previous three year-end total account balances. If the account is invested at less than 50% in the EP, the available annual distribution will be 1.5% of the average of the previous three year-end Fixed Income Portfolio balances net of CFNEK fees plus 4% of the average of the previous three year-end EP balances.

2.6.5 This distribution policy is reviewed annually using the Uniform Prudent Management of Institutional Funds Act (UPMIFA) guidance on the criteria to consider when determining distribution policies, including preservation of the purchasing power of the fund.

2.6.6 A distribution election form is sent to fund-holders semi-annually. The fund-holder has the ability to withdraw up to the amount indicated on the form. This amount is available until the next calculation date. The two calculation dates are June 30 and December 31.

2.6.7 All investments made by the CFNEK must comply with the Investment Policy Statement of the organization.

2.7 Identification of Fund on Distributions:

2.7.1 Distributions from funds shall identify the name of the fund from which it is made. Donor Advised Fund distributions, however, may or may not bear the name of the donor should the donor request to remain “anonymous”.

2.8 Financial Benefit to the Donor:

2.8.1 The Catholic Foundation of Northeast Kansas will not make a grant that provides a financial benefit to an individual donor, advisor, committee member, or any person in whose honor a fund is created or named, or any related party to such a person, including a family member of such person, or any entity in which such a person has a vested interest. This does not apply to distributions made from organization funds to the organization for which the fund was established.

2.8.2 Distributions may not be used in whole or in part for any pre-existing legally binding pledge or for any private benefit such as dues, membership fees, benefit tickets, and the non-charitable portion of fund-raising dinners, or goods and services bought at charitable auctions. Distributions may be made that provide a donor or advisor with name recognition and other benefits that the federal government has recognized as not providing the donor with a financial benefit.

3. Fund Distributions

3.1 Donor Advised Fund Distributions:

3.1.1 The donor of a Donor Advised Fund (DAF) recommends distributions to the Catholic Foundation. Distributions can be derived from principal and income. 50% of the distributions made each calendar year must be made to Catholic organizations. 25% of annual distributions must be to Catholic organizations within the Archdiocese. The initial donor may also appoint a successor advisor to make distributions after their death. After death of second advisor, the Catholic Foundation is responsible for distributions.

3.1.2 Additional rules apply to funds classified as “donor advised funds” under the Pension Protection Act of 2006. The legal definition of a donor advised fund under this law is a fund or account that (i) is separately identified by reference to contributions of a donor or donors; (ii) is owned and controlled by a “sponsoring organization” (i.e., the Catholic Foundation of Northeast Kansas); and (iii) the donor (or any person appointed or designated by the donor – a “donor advisor”) has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in the fund or account by reason of the donor’s status as a donor. This definition applies to funds that the Catholic Foundation of Northeast Kansas has classified as Donor Advised Funds.

3.1.3 Donor advised funds may only be distributed to qualified charitable organizations as defined by the Internal Revenue Service. DAF distributions must adhere to the CFNEK policies regarding adherence to Gospel values. The CFNEK will not make any grant, loan, compensation or similar payment (including expense reimbursement) to a Donor, Donor Advisor, Advisory Committee member, any person in whose honor a Fund is created or named or any related party from any fund that is classified as a donor advised fund under the law.

3.1.4 Effective January 1, 2007, the CFNEK will also not make any grant to an individual from any fund that is classified as a donor advised fund under the law.

3.1.5 Distributions from a DAF made as part of a sponsorship may only constitute the tax deductible portion of the sponsorship, and not the value of meals or other non-tax deductible remuneration.

3.2 Endowment Fund Distributions:

3.2.1 The income of endowment funds as defined by the CFNEK will be available for distribution two times each fiscal year. The trustees of the fund may elect to withdraw all or part of the income available. Income that is not withdrawn will be reinvested. All distributions must be used per the stated purpose of the fund as written.

3.3 Gift Annuity Payments:

3.3.1 Charitable Gift Annuity (CGA) distributions are made quarterly on the 15th of March, June, September and December. The minimum age for the first distribution is 65. If the first payment is a partial quarterly period, the first payment will be prorated and paid on the next scheduled payment date.

3.3.2 CFNEK uses the rates provided by the American Council on Gift Annuities (ACGA) for all CGA contracts.

3.3.3 CFNEK may elect to reinsure any charitable gift annuity contract and retain a 10 percent fee for administration of the contract. If reinsured, the value of the fund, minus the cost of reinsurance and the administration fee, will be distributed to the charitable beneficiary selected by the donor. If not reinsured, the residual value on the date of the annuitant's death will be distributed to the named beneficiary. The donor may choose any parish, school, cemetery, Catholic organization or ministry within the Archdiocese of Kansas City in Kansas as the beneficiary of their CGA.

3.4 Scholarship Fund Distributions:

3.4.1 A distribution policy is defined in the scholarship document. The person or institution establishing the fund will be allowed to define the allowable amount of distributions to be made available each year from the fund. Both income and principal can be made available.

3.4.2 The distribution policy must be defined at the time the fund is established.

3.5 Timing of Distributions:

3.5.1 The right to direct the timing and amount of all distributions of income or principal from any fund is vested in the CFNEK Board of Directors. As is required by federal tax regulations, a Donor may not reserve the right to direct the timing of distributions from the fund. A donor can specify in the instrument of transfer document the following stipulations: (i) that some or the entire principal (as opposed to income or specific assets) may not be distributed for a specified period of time; (ii) that distributions are limited to income only; (iii) that distributions should be made annually (or more frequently).

3.5.2 If distributions are limited to income, and unless otherwise specified in the instrument of transfer, income shall be computed semi-annually based on the current distribution policy of the CFNEK.

4. Authority to represent CFNEK

4.1 The CFNEK generally encourages Donors to solicit contributions to their funds. However, no person has the authority to act as the agent of the CFNEK unless he or she has received express written authority from the CFNEK.

4.2 In particular, the CFNEK does not authorize any volunteer or advisor to accept contributions on its behalf, to commit CFNEK resources to any activity, or to engage in fundraising activities in the name of the CFNEK or on behalf of any of its Funds without written permission from the Board of Directors or an authorized employee of the Office of Stewardship and Development of the Archdiocese of Kansas City in Kansas.

4.3 The restrictions in this section are necessitated, in part, because of compliance with tax and other laws that require disclosure of benefits associated with charitable contributions as well as contemporaneous written acknowledgements to certain Donors of contributions (the failure for which could subject the CFNEK to fines and penalties).

5. Fund Raising

5.1 The CFNEK will not sponsor any fund raising or other events for any Fund, and will not be responsible for the collection of any amounts from any parties but will only be responsible for the proper disbursement of funds actually received. Any advertising, promotional or other materials must be consistent with this policy.

6. Non-profit Tax Status

6.1 The Catholic Foundation of Northeast Kansas is a subordinate organization of the Roman Catholic Church and therefore subject to the Department of the Treasury, Internal Revenue Service group ruling for the Roman Catholic Church. The CFNEK is a non-profit organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is listed in the Official Catholic Directory (Kenedy Directory) annually.

6.2 Donors may deduct contributions to the Catholic Foundation of Northeast Kansas as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to CFNEK for their use are deductible for federal estate and gifts tax purposes.

6.3 Donors may verify that the CFNEK is a subordinate organization under the Archdiocese of Kansas City in Kansas and is included in group exemption by consulting the Official Catholic Directory.