

## Giving money away: a Catholic model

Tom Gallagher | Dec. 31, 2009



In the 2009-2010 school year, the Catholic Community Foundation provided \$660,269 in tuition assistance to 945 students at 78 Catholic elementary and high schools in the St. Paul-Minneapolis archdiocese.

Giving money away is not as easy as one might think. It becomes even more complicated if individuals and institutions integrate a Catholic socially responsible approach into their philanthropy.

In St. Paul, Minn., the late Archbishop John Roach (who served as the ordinary from 1975 to 1995) had a vision of a new way to encourage and foster charitable giving in support of Catholic activities in the archdiocese. He wanted an entity independent of the St. Paul-Minneapolis archdiocese and its board of directors.

“Archbishop Roach’s original vision was thinking outside the box in creating an independent, separate corporate entity with funds under the control of outstanding lay women and men,” said recently retired Archbishop Harry Flynn (who succeeded Roach and served as ordinary from 1995 to 2008).

In 1992, the Catholic Community Foundation of St. Paul-Minneapolis was founded as a publicly supported charitable organization that is exempt from federal and state taxes. Its mission is to support financially the spiritual, educational and social needs of the Catholic community.

The foundation, Flynn said, reflects the vision of the Second Vatican Council, bringing the laity “into appropriate authority” while that lay leadership “also respects and works in solidarity with the bishop.”

Although a separate corporate entity from the archdiocese, the foundation has the archbishop as its chairman. In addition, the vicar general and chief financial officer of the archdiocese are also permanent members of the board of directors.

The bylaws designate the archbishop and three archdiocesan officials as “corporate members,” whose reserved rights include the approval of any change in the mission of the foundation, of any major changes to the bylaws,

of new board members, and of the hiring of a new president.

Other than these reserved rights, the archdiocesan representatives have one vote on all matters, just like the board's 22 laypeople and one woman religious, Sr. Andrea Lee, a Servant of the Immaculate Heart of Mary and president of the College of St. Catherine.

"We help people with their philanthropy and are able to create amazing opportunities for kids and families to attend Catholic schools, as one example of our work," said Marilou Eldred, foundation president.

With a staff of 11 employees, the foundation manages approximately \$160 million on behalf of nearly 3,000 donors, including 437 families, 126 parishes, 50 Catholic schools, and 20 Catholic institutions including the archdiocese's Catholic Charities and Catholic Cemeteries, and the St. Paul Seminary School of Divinity at the University of St. Thomas.

The largest Catholic community foundation in the country, the organization also serves another Minnesota diocese, New Ulm, whose former bishop, John Nienstedt, saw the infrastructure and effectiveness of Catholic Community Foundation and invited it to serve in his diocese. Nienstedt is now the new archbishop of St. Paul-Minneapolis, succeeding Flynn in 2008.

"In my first meeting with Archbishop Nienstedt, he talked about how helpful CCF was in his former diocese," said Fr. Kevin McDonough, a former vicar general and currently pastor of St. Peter Claver Parish and a foundation board member. "CCF allowed smaller rural parishes in New Ulm trustworthy access to sophisticated investing strategies and knowledge of the markets."

The foundation has a sophisticated platform that is designed to facilitate various forms of giving. Donors can make a gift of any size to one of the foundation's existing funds or they can create a donor-advised fund with a gift of at least \$5,000, which allows the donor to direct grants to their favorite charities, as well as add to their fund over time.

With a gift of \$50,000, a donor can set up an endowment for a parish, school or another charity. The principal is protected and gifts are made from interest earned on the original amount of funds donated.

For donors who seek income for themselves during their lifetime, charitable gift annuities can be established, beginning with a gift of \$10,000.

Donors may create a charitable remainder trust beginning at \$100,000, which pays the donor a fixed amount or fixed-rate payout for life. Upon the donor's death, the gift goes to a charity.

Another vehicle is a charitable lead trust in which a charity receives payments for a fixed number of years or in the donor's lifetime, then the remainder returns to the donor or the donor's heirs. This trust can be established with a gift of \$100,000.



Deferred gifts can be established through a donor's will and can be any

size. For those who wish to donate their home to the foundation, they can create a life estate agreement in which they keep the right to live in their home and the home transfers to the foundation upon the death of the donor.

All of these strategies have significant tax advantages for individuals. By using Catholic Community Foundation, individuals also avoid the challenges of creating their own charity with all the legal, tax and accounting responsibilities and the administrative expenses.

Catholic institutions have the opportunity to place their endowment funds with Catholic Community Foundation while keeping full control of how those funds are distributed. More than half of the 216 parishes in the archdiocese, including the Cathedral of St. Paul and the Basilica of St. Mary, partner with the foundation to manage their long-term investments. In this case, the foundation acts as an agent for the institutions.

With CCF, there are significant economies of scale that benefit the donors, and ultimately, grant recipients, said board member Norb Conzemius. CCF does not compete with Catholic organizations, but rather, we support them.

A core part of the foundation's mission is that the grant recipients must be organizations that are not in conflict with church teaching. While donors have broad latitude to choose who receives its donations, a grants committee meets quarterly to vote and approve the intended gifts.

Since 1992, CCF has distributed close to \$60 million in grants. While most grant recipients are located in the archdiocese, donors may give gifts to Catholic organizations outside of the archdiocese as well.

CCF makes people aware of critical needs in the community and offers a unique opportunity to address those needs, said board member Tom Mc-Keown.

Another key component of the foundation's mission is to invest its funds in a Catholic socially responsible manner. Making prudent investments is a key to its success.

The foundation has five investment pools named after birds. Four of the funds are designed with specific risk tolerances and time horizons. For example, the \$50 million Cardinal's Fund, the \$66 million Cardinal's Plus Fund and the \$13 million Eagle Fund are longer-term investments that accept higher volatility. The \$5 million Sparrow Fund is a short-term, lower-risk strategy. The fifth fund, the \$7 million Owl Fund, is a specialized fund related to annuity investments supported by an actuarial study.

The foundation undertook a national search in 2007 for an outside investment manager. After an extensive process, it chose Atlanta-based LCG Associates. LCG identifies investment managers and facilitates interviews

by the foundation's nine-member investment committee. That committee also benefits from the service of non-board members who lend their expertise.

"A key part of the board's fiduciary responsibility is to establish unquestioned credibility of the investment process, which we have done," said Jerry Brennan, board vice chairman and seasoned investment professional. "We assure our donors that our stewardship is both excellent and transparent."

Brennan recounts a story that happened a few years ago. "There was concern in the broader community that the gathering of the poor at the downtown Dorothy Day Center was somehow unacceptable," said Brennan. The center has received grants from Catholic Community Foundation.

Board member McKeown "advocated in the local community that we need the poor and we should keep the Dorothy Day Center right where it is," said Brennan. This "issue" went away.

As for the future of the foundation, Flynn is optimistic. "I have profound confidence in the brilliant men and women who serve on the CCF board and who lead the foundation and the continued generosity of Catholics in this archdiocese," the archbishop said.

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