

PARISH ENDOWMENT FUNDS Q&A

Overview of Endowment Funds

An endowment fund typically refers to a fund that is not wholly expendable on a current basis. An endowment fund is intended to provide long term support, and generally this is accomplished by permitting the expenditure only of income rather than the principal amount. This is typically accomplished by defining income in a manner that permits expenditures up to 5% annually or otherwise permitting the expenditure up to this amount and some endowment funds may contain provisions allowing the greater expenditure of principal in certain defined circumstances. Endowment funds may be established to support a parish generally or may be established for specific purposes such as supporting specific ministries, building or capital improvements, or school support.

Why Should I Establish an Endowment?

Creating a parish endowment fund can provide an opportunity to plan for and support the future needs of the parish or designated ministry. A parish endowment also gives the parish a means by which it can encourage legacy gifts from parishioners.

When Should I Establish an Endowment?

An endowment should be established ideally before the fund is marketed and any funds begin to be collected, but can be established at any time.

How is an Endowment Established?

Parish endowments have both civil law and canon law dimensions. The Diocesan legal office assists with the establishment of endowments at parishes through the creation of a document known as a “Burse Agreement.” A Burse refers to a restricted fund of the parish that is owned by the parish and managed or controlled by the parish, subject to certain canonical rights of the Bishop. The funds are parish funds, although restricted in purpose and/or expendable amounts under the terms of the Burse Agreement.

The Diocese of Cleveland does not recommend the establishment of Endowments as separate corporations that are independent of the parish and outside of parish control.

The establishment of any endowment requires the approval of the Bishop, and this is ordinarily accomplished through the Bishop’s signature on the Burse Agreement.

Why is a “Burse Agreement” Necessary?

Under civil law, when funds are collected for a specific purpose, that purpose (the “donor intent”) must be respected. United States tax law for 501(c)(3) organizations such as parishes also limits to a certain extent how a 501(c)(3) organization can spend funds, and the Burse Agreement is intended to ensure that funds are only spent for appropriate (charitable) purposes.

In addition, from a Canon Law standpoint, any gift for a “pious cause” carries certain canonical requirements. A “pious cause” is broadly defined to include basically any gift to a parish and therefore most if not all endowments established by a parish would be for a pious cause. If the gift is not to be used immediately and is for a restricted purpose (as are most endowments), the acceptance of the gift would create a “pious trust.” Under Canon Law, a pious trust has certain requirements that are included in the Burse Agreement to ensure that they are satisfied. These requirements include:

- a. The pious trust must be brought to the ordinary’s (Bishop’s) attention and approved. Canon 1302.
- b. The ordinary must approve of any investments for the pious trust. Canon 1284.
- c. The ordinary must “exercise vigilance” over the pious trust and ensure that donor intent is respected. Canon 1301.
- d. Whoever is managing the pious trust must render an account to the Bishop. Canon 1301.

The Burse Agreement, which is signed by both the pastor and bishop, is intended to ensure that the endowment fund is established and operated in an appropriate manner.



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Won't the Term "Burse" Be Confusing for People?

Burse Agreements (which could be titled as an "Endowment Fund Burse") are intended to serve primarily as an internal document governing the fund and subject to canon law and the term "Burse" is useful in that it covers any parish fund (including endowments) that is restricted in some way and specifically refers to funds owned and controlled by the parish. For public purposes a fund that is intended to be held long term can be marketed as a parish "Endowment Fund" and the term "Burse" need not be referenced. Any marketing of the fund should be clear about (1) the purposes for which funds can be spent; and (2) any restrictions on spending the principal amount. A copy of the Burse Agreement could be provided to donors on request.

What are the Investment Options for Burses / Endowments?

The Diocese of Cleveland has an investment policy that all parishes must follow. There are two primary compliant investment locations for parish endowments – the Catholic Community Foundation and an investment account through PNC that has investment options managed by the Diocese of Cleveland (the "Parish Investment Fund"). While it is possible to invest funds through a private sector broker any such investment would need to comply with the investment policy.

Investing with the Catholic Community Foundation.

The Catholic Community Foundation has a single investment option. This investment option is a 60% equity, 40% fixed income portfolio. The portfolio is compliant with the Investment Policy and is automatically rebalanced for convenience.

Investing with the Foundation is accomplished through a Fund Management Agreement, and distributions are requested and processed through the Foundation. The parish remains responsible for ensuring that the terms of its Burse (Endowment) Agreement are followed in making distributions from the fund.

Investing with the Parish Investment Fund.

The Parish Investment Fund has a fixed income and an equity investment option and parishes are free to choose to invest in any amount in either option, thereby determining their own allocation. Keep in mind permission is needed from the Bishop to exceed a 60% allocation to either fund by Diocesan policy. If a parish desires to maintain a certain allocation of fixed income and equity, such as 50% fixed income and 50% equity, the parish would need to monitor the account and rebalance it periodically.

Investing with the Parish Investment Fund is accomplished through opening an account directly with PNC. The Diocesan Finance Office (through Justin Turk) has account opening materials to assist with this process. Deposits and withdrawals may be requested monthly and typically occur at the end of the month. The parish remains responsible for ensuring that the terms of its Burse (Endowment) Agreement are followed in making distributions from the fund.



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