



Overview and Frequently Asked Questions

The purpose of this overview is to provide a summary of the key elements of the organization and intended operation of VCCF. It is not intended to modify or amend any terms of the corporation's Articles of Incorporation or Bylaws or any duly approved Board policies, as amended from time to time. Copies of VCCF's Articles of Incorporation and Bylaws are available upon request.

1. WHAT IS THE VCCF?

The VCCF is a stand-alone nonprofit corporation that is separate and distinct from the Diocese of Burlington (the "Diocese"). It has been formed to operate as a community foundation for the purpose of assisting parishes, Catholic schools, and individuals in furthering their religious, charitable and educational goals by allowing them to establish professionally-managed funds at the foundation. Ultimately, the VCCF seeks to assist the Catholic community in promoting the works of Christ by allowing donors to access professional investment management advice to grow their charitable resources.

2. WHAT FUND OPTIONS EXIST FOR DONORS?

Donors can choose endowment, non-endowment or reserve, perpetual care and donor advised fund. Options provide the donor with access to asset management services at competitive rate and to expert assistance and advice tailored to their specific investment needs and goals. Please see the chart below for more information about endowed versus non-endowed or reserve funds. At the time a donor establishes a fund, the donor will execute a fund agreement with VCCF which specifies the type of the fund and identifies the charitable purposes or beneficiary(ies) of the fund. Distributions for charitable purposes will be made in accordance with the fund agreement.

	ENDOWMENT FUND	RESERVE FUND
DESCRIPTION	A fund that helps protect and grow medium to long-term assets (typically endowment or quasi-endowment) while receiving relatively even annual distributions.	Same as the Endowment Fund.
Minimum Contribution	\$10,000 to establish the fund; no gift minimum thereafter.	Same as the Endowment Fund.
Access to Fund Balance	The Community Foundation is required to evaluate and approve any requests for fund distributions in access of annual distribution.	The organization or parish has the ability to access the full balance of the fund annually.
Annual Distribution	Currently 5% of the fund's annual balance is used to calculate the fund's annual distribution amount. The distribution rate is set annually by the Foundation's Board of Directors.	Same as the Endowment Fund.
Administration Fee	<ul style="list-style-type: none"> • 1 percent annually for accounts of less than \$1 million • .7 percent for the next \$1 million - \$2 million • .5 percent for the next \$2 million - \$5 million • .4 percent over \$5 million Includes 37 basis point fee for investments managers	Same as the Endowment Fund.
Assets in the Fund	A community foundation cannot legally manage assets it does not own. Therefore, the fund assets become property of the Vermont Catholic Community Foundation. This additional separation often helps build donor confidence as well as protects your assets from liability and litigation.	Same as the Endowment Fund.
PERPETUAL CARE FUND	State and federal law regulations ensure the perpetual care of a cemetery, which include the restrictions imposed on the use of the income and principal of perpetual care funds under 18 V.S.A. Chapter 121: § 5306	Investment restrictions: no more than 30% of the funds can be invested in the stock market and 70% in bonds.
DONOR ADVISED FUND	For a minimum of \$25,000, a donor can make a charitable contribution, receive an immediate tax benefit and then be involved in recommending grants from the fund over time.	Funds are invested similar to endowment funds but annual distributions are dependent on the agreement with the donor.

3. WHO GOVERNS THE VCCF?

The VCCF is governed by an independent Board of Directors. The Board currently consists of five members, and the current Board members include (i) the Bishop of Burlington, (ii) the Vicar General of the Diocese of Burlington, and (iii) three lay persons each of whom represents a different walk of life, professional experience, and geographic area. While the minimum requirement is five board members, VCCF seeks to expand membership to include representation from each region of the state.

4. WHAT GIFTS MAY BE ACCEPTED BY THE VCCF?

The VCCF may accept any gift, grant, and/or bequest for the general purposes of the VCCF or for any special charitable purpose designated by the donor and compatible with the mission of the VCCF. The VCCF may refuse gifts if they are incompatible with the ideals, objectives, programs or principles of the VCCF (or otherwise conflict with the gift acceptance policy of

VCCF). Gifts of certain types of assets, such as real estate and business interests, may require additional review prior to acceptance.

5. IS THERE A MINIMUM DOLLAR AMOUNT REQUIRED TO WORK WITH THE VCCF?

A minimum contribution of \$10,000 is currently required to establish a fund at the VCCF. There is no minimum to contribute to an existing fund. A contribution can be in the form of cash, securities or other property that complies with VCCF's gift acceptance policy.

6. MAY THE PURPOSE OF A FUND BE MODIFIED BY VCCF?

Yes, in limited circumstances. Because VCCF has been formed as a community foundation, it is required under the rules governing the tax treatment of community foundations to include a "variance power" provision in every fund agreement. That provision allows the Board of Directors by affirmative vote of majority of the Board to modify any condition or restriction on the distribution of amounts from a fund if in its sole judgment the restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served by VCCF. In some cases, the fund agreement may provide that the donor may petition a court of competent jurisdiction in the State of Vermont to review VCCF's exercise of its variance power. In other cases (typically in cases where the transferred funds are subject to a previously-restricted gift agreement), the fund agreement may provide that VCCF is required to petition a court of competent jurisdiction in the State of Vermont in order to modify a restriction or condition that has become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

7. CAN RESTRICTED FUNDS FOR AN EXISTING BENEFICIARY BE USED TO FUND ANOTHER BENEFICIARY?

No, as long as the beneficiary still exists and is capable of fulfillment of the purpose of the fund. Please see question #6.

8. DOES CANON LAW ALLOW THE BISHOP TO CHANGE THE PURPOSE OF AN EXISTING FUND?

No. Canon law does not allow the Bishop to change the purpose of a fund. VCCF is operated in conformity with the Code of Canon Law, and Book V, Title I, §3 of the Code of Canon Law provides that "Offerings given by the faithful for a certain purpose can be applied only for that

same purpose.” Offerings given by the faithful for a certain purpose can be applied only for that same purpose.”

9. ARE THE ASSETS OF VCCF SUBJECT TO CLAIMS OF CREDITORS OF THE DIOCESE OF BURLINGTON?

No. The VCCF is a stand-alone entity that is legally separate from the Diocese. It has its own independent legal existence and is not owned or controlled by the Diocese of Burlington.

10. HOW ARE ASSETS INVESTED?

The VCCF maintains a broadly diversified investment portfolio that is professionally managed. The portfolio is invested in accordance with the VCCF’s established objectives and guidelines. At the present time, these include:

- Long-term focus on performance, which is expected to preserve the VCCF’s purchasing power and cover distribution needs.
- Proper diversification to reduce risk and achieve higher returns through all market cycles.
- Adherence to the socially responsible investing policies set forth by the U.S. Conference of Catholic Bishops.

Currently, the VCCF’s portfolio follows a balanced investment approach for all funds except perpetual care funds, which calls for a target asset allocation of 60% stocks and 40% bonds. The VCCF currently uses the following three managers:

- Rhumblin Advisors: 50% of portfolio invested in an actively indexed S&P 500 fund.
- Lazard Asset Management: 10% of portfolio invested in international equity funds.
- Richmond Capital Management: 40% of portfolio invested in fixed income (bonds).

Perpetual Care Funds state regulations require that no more than 30 percent of the funds can be invested in the stock market and 70 percent in bonds:

- Rhumblin Advisors: 30% of portfolio invested in an actively indexed S&P 500 fund.
- Richmond Capital Management: 70% of portfolio invested in Treasury bonds.

A copy of the VCCF Investment Policy Statement (IPS) is available upon request by contacting Ellen Kane at ekane@vermontcatholic.org.

11. HOW ARE SECURITIES SELECTED?

The VCCF using CAPTRUST to manage investments. CAPTRUST is an employee owned 30 year old company with 1,500 institutional clients and \$243 billion in clients assets under advisement. CAPTRUST works with many Catholic institutions around the U.S. and has adopted investment objectives as set forth by the United States Conference of Catholic Bishops on socially responsible investing.

From a practical perspective, the selection of securities incorporates the utilization of social screens and faith based funds to achieve the VCCF's investment objectives and support Catholic teaching. This includes screening of the criteria across the following areas:

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| <ul style="list-style-type: none">• Abortion and abortifacients• Adult entertainment• Contraceptives• Discrimination | <ul style="list-style-type: none">• Environmental• Fair lending• Landmines• Nuclear weapons• Stem cells (embryonic) |
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12. HOW IS INVESTMENT PERFORMANCE MONITORED?

The VCCF's Investment Committee meets not less than quarterly and counsels the VCCF Board on investment strategies. The investment manager(s) provide ongoing reports and data to the Investment Committee and makes investment recommendations based on its assessment of market factors, including economic conditions, asset class valuations, and market sentiment.

Investment performance is compared against the appropriate benchmark. On an annualized, net of fees basis, long term investment performance is expected to equal or exceed the benchmark to ensure appropriate growth of corpus and cover the VCCF's distribution requirements.

Additional performance details are provided in the quarterly performance report.

13. WHAT ARE THE FEES?

All fees related to the management of funds are paid from the fund assets held by VCCF.

- 1 percent annually for the first \$1 million
- .7 percent for the next \$1 million - \$2 million
- .5 percent for the next \$2 million - \$5 million
- .4 percent for over \$5 million

Fees include 37 basis point fee for money managers

The VCCF's Investment Committee continuously monitor fees, in conjunction with portfolio size and performance. The goal of the fee policy is to ensure attractive and fair administration costs while leveraging the entire portfolio value.

14. UNITIZED ACCOUNTING - POOLING OF INVESTMENTS

The VCCF's investment portfolio is unitized (target date of fiscal 2015) thereby enabling contributions to be pooled for the purpose of gaining economies of scale in investing and administration, and thereby, achieve greater cost efficiencies.

From an administration standpoint, a unitized accounting system accounts for each donor's contribution within the VCCF's overall portfolio on the basis of units (or shares). Each contribution receives units representing its proportionate share of the portfolio. Units are valued monthly to adjust for income earned by the underlying securities held in the portfolio as well as changes in market value.

CONTACT

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