

Catholic Foundation for the People of the Diocese of Rockford
Retained Earnings Policies and Procedures
Revised January 2010

What are Retained Earnings?

The Bylaws of the Catholic Foundation defines Retained Earnings as:

That portion of each Participating Fund Member's account that represents the cumulative total return from the inception of the account as of the date of the most recent statement, less all withdrawals made by the Participating Fund Member and less any amounts transferred from this category to Corpus.

How are Retained Earnings accumulated?

At the end of each fiscal year, if there is positive current fiscal year total return achieved by the Fund in which the participant has their account, the participant can decide to place all or a portion of their positive current fiscal year Total Return into Retained Earnings.

Why place positive current fiscal year Total Return into Retained Earnings?

A participant might choose to place the positive current fiscal year Total Return into Retained Earnings if they wish to save for a specific project and withdraw the funds at a later date. The participant hopes to take advantage of The Catholic Foundation's diversified investment portfolio, and hopes that the rate of return would be higher than the current rate of return offered by the Diocesan Investment and Loan Program (DIAL). Having retained earnings benefits the participant because the account will have a higher balance and, in quarters with positive returns, the account will accumulate more total return during the fiscal year. If a participant has an immediate need for the use of the positive current fiscal year total return, the participant would be well advised to withdraw the funds and place them into DIAL.

How can a participant withdraw Retained Earnings?

The Bylaws of the Catholic Foundation state:

A distribution of Retained Earnings may be requested once per quarter by submitting a written request to the Finance and Investment Committee of the Board of Directors. Distribution will be made as soon as practicable following notification, as long as such distribution will not jeopardize the accounts of the Foundation, as determined by the Board of Directors.

The quarterly statement issued to each participant of The Catholic Foundation lists separate Corpus and Retained Earnings accounts for each endowment. The RE entry indicates the activity of the retained earnings account that the participant has designated by past decisions. On that same statement, an amount "available for withdrawal" from the retained earnings account is also stated. When there are positive current fiscal year total returns, these two amounts will agree. When there are negative current fiscal year total returns, the amount available for withdrawal will be less than the total retained earnings amount shown.

Only the amount presented on the latest quarterly statement as "available for withdrawal" will be considered for distribution. If the available amount is less than the total retained earnings amount, the remaining undistributed retained earnings will be available for withdrawal in future quarters when positive current fiscal year total returns occur.