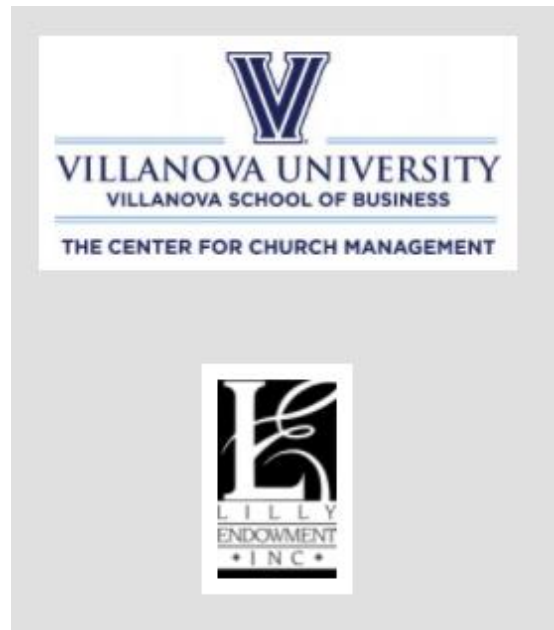
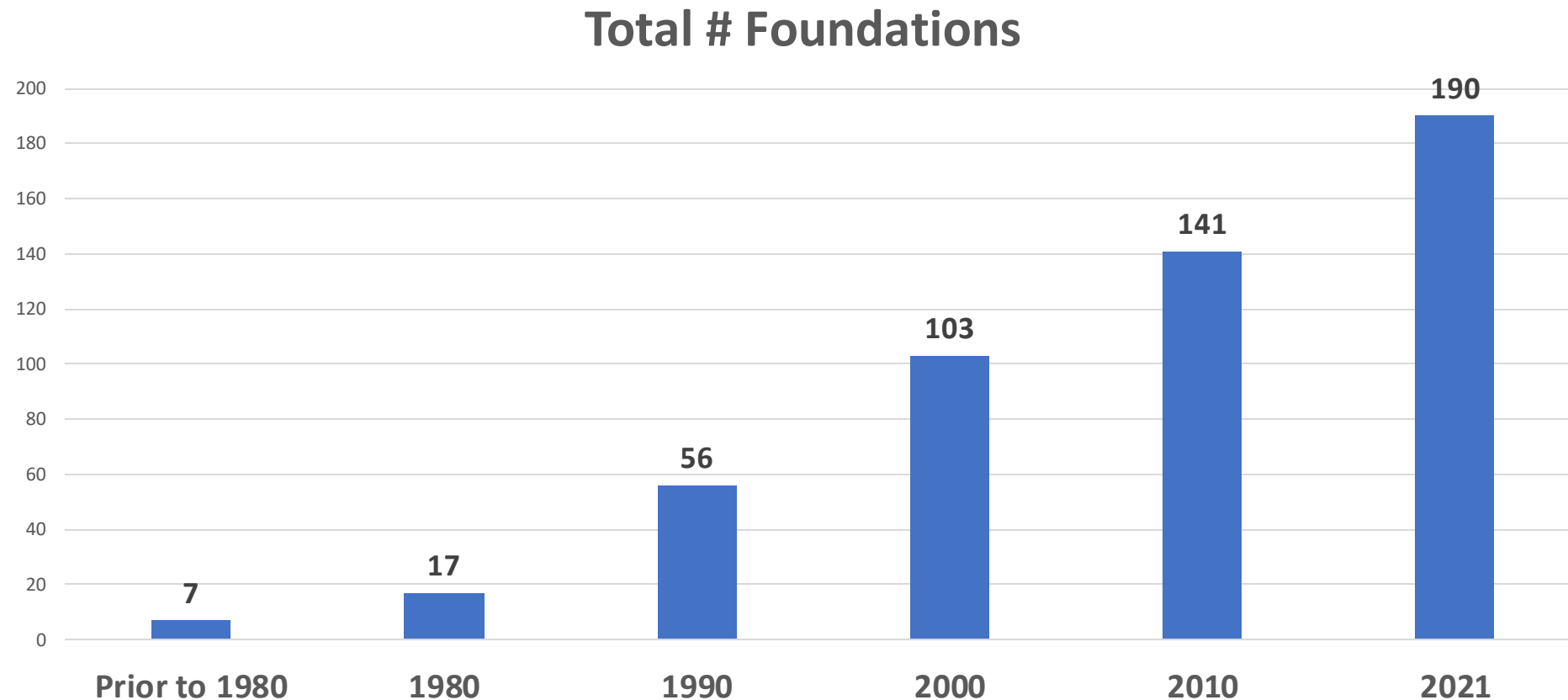


Catholic Foundations: An Analysis of Governance Structures, Transparency and Financial Performance



Stephen J. Porth
Saint Joseph's University

Why Study Catholic Foundations?



Source: Dillingham, W. (Oct 2021) "Catholic Foundations in the U.S. Revisited", Wilmington Trust

Two Responses to Financial Headwinds

Bankruptcy Protection

Since 2004, **32** dioceses in the United States have filed for bankruptcy protection, including **five** in 2023.

*Source: the watchdog group
BishopAccountability.org (2023)*

As U.S. Catholic churches struggle, their foundations' investments thrive

By Gertrude Chavez-Dreyfuss

3 MIN READ



NEW YORK (Reuters) - Assets managed by U.S. Catholic foundations have more than doubled over the last three years, propelled by increased donations and stable market performance, according to a study by wealth advisory firm Wilmington Trust.

The study showed U.S. Catholic foundations, set up by archdioceses and dioceses across the country, managed \$9.5 billion as of the end of 2018, up 106 percent from \$4.6 billion in 2016 when Wilmington Trust released its first report on the sector.



World Business Markets

What is a “Catholic Foundation”?

Foundations attract, manage and invest donations and gifts to support the financial needs of parishes, schools, charities, and other ministries within the diocese

(Catholic Foundation of Northern Georgia, <https://cfnga.org/about/purpose/>)

Why Use a Foundation?

- helps dioceses be **more effective in fundraising** by offering a centralized, **professionally managed** fundraising resource
- acts as an **investment management** vehicle, which provides professional management of **planned giving and endowment** funds
- all funds invested in a foundation are **legally separate** from the diocese.

Purpose

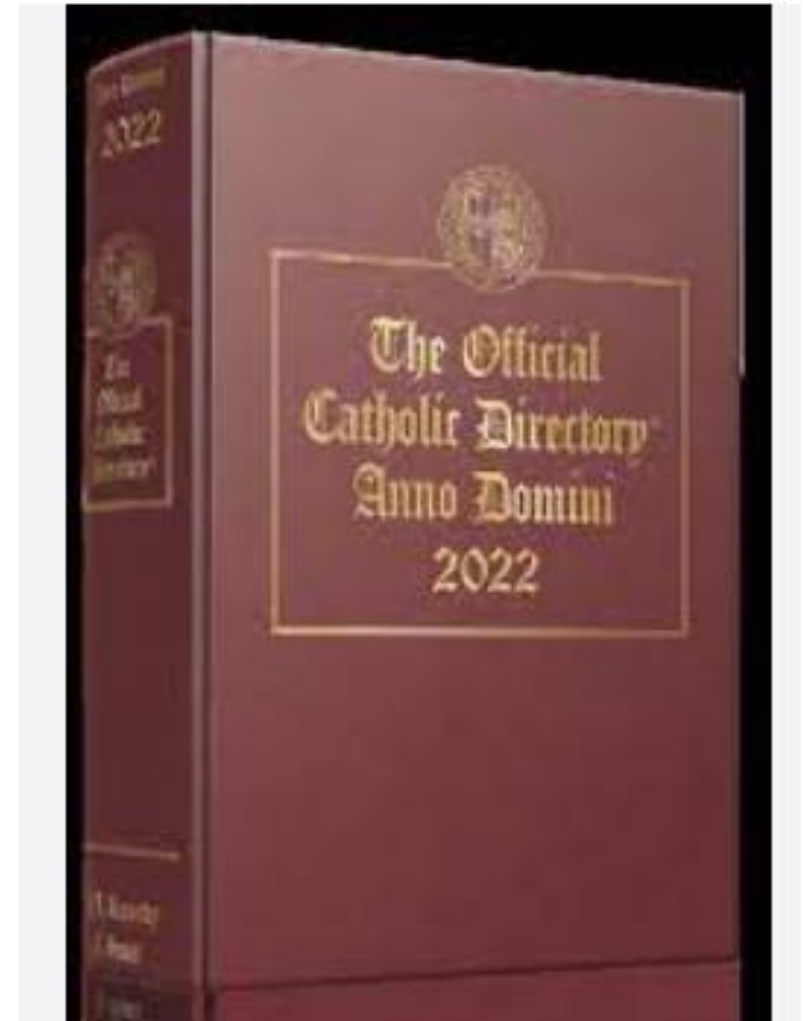
To analyze the governance boards, financial transparency, and financial performance of 114 foundations by addressing the following **research questions**:

1. What is the size and makeup of the governance board of the foundation?
 - Board size, models, demographic characteristics, role of the bishop
2. Financial transparency - Does the foundation disclose its financial statements?
 - IRS Form 990 or audited financial statements
 - What is the financial transparency rating (GuideStar) of the foundation, if any?
3. What is the financial performance of the foundation?
 - Size and four-year growth rate of Assets
4. What are the interrelationships between 1, 2, and 3?

Identifying the Foundations

The Official Catholic Directory

- an “authoritative Catholic reference resource” that provides statistics, personnel listings, agencies, ministries and other information about each diocese.
- The data and entries for each diocese are updated on an annual basis, and are confirmed by the diocese
- Identified 114 foundations



Results: Board Models

Three Models of Governance		
Bishop is member and chair of board	(Model 1)	38.3%
Bishop is a board member, not chair	(Model 2)	32.7%
Bishop does not serve on board	(Model 3)	29.3%

n = 107 (104 foundations that identify all board members plus 3 that identify the role of the bishop only)

Models of Governance and Board Characteristics

	Average Size	% Female	% Clergy	% Independent
Model 1	14.9	27.5	21.5*	73.0*
Model 2	17.2	28.2	19.9	78.6
Model 3	14.1	28.6	14.9*	83.3*

% Female – no significant differences between the models

* % Clergy and % Independent – significant differences between Model 1 and Model 3 (p<.05)

Results: Transparency & Disclosure

(n=114 foundations)

Type of Financial Disclosure	Identify Board (n=104)		Do Not Identify Board (n=10)	
	#	%	#	%
IRS Form 990	19	18.3%	0	0.0%
Audited Financials	32	30.8%	3	30.0%
Both	32	30.8%	0	0.0%
None	21	20.2%*	7	70.0%*

**significant difference at $p < 0.001$*

Results: Models of Governance & Financial Transparency

	Model 1	Model 2	Model 3
Disclose Financials	26	28	30
Do Not Disclose Financials	15	7	1
Percent Disclosing	63.4%*	80.0%	96.8%*

**significant difference between Model 1 and Model 3 at $p < 0.002$*

**Also, combined Models 1 and 2 compared to Model 3, significant difference at $p < 0.007$*

Models of Governance and GuideStar Transparency Ratings

GuideStar Rating	Model 1	Model 2	Model 3	Total
None	34	24	21	86
Bronze	0	0	1	1
Silver	0	2	2	4
Gold	6	4	2	12
Platinum	1	5	5	11

Results of this analysis were more notable in the absence of ratings than in any meaningful comparison between the models. Over 75% of the foundations (86 of 114) had no GuideStar rating.

Results: Models of Governance & Financial Performance

	2022 Total Assets (Average)	CAGR 2018-2022	n
Model 1	\$92,335,274	4.23%*	24
Model 2	\$101,956,642	13.67%*	25
Model 3	\$80,295,985	9.77%	22

complete dataset for the four-year period to measure asset growth rates was available for 71 of the foundations

**significant difference between Model 1 and Model 2 at $p < 0.05$*

*Why? (a) Some foundations started with Assets=0; others were funded initially by the diocese
(b) not all foundations follow the same FY calendar*

Conclusion

- This study sheds new light on Catholic foundations
- **Three models of governance** were identified based on the role of the bishop
 - The models are statistically different from each other in some important ways.
 - Governance **boards chaired by the bishop** have a **greater proportion of clergy and diocesan employees** than boards on which the bishop does not serve (less independent).
- **Financial Transparency**
 - **78.5% of foundations disclose** their audited financial statements but only **24.5%** have a GuideStar transparency rating
 - When the bishop is either chair or member of the governance board, the foundation is **less likely to disclose** its audited financial statements
- **Financial Performance**
 - Over the four year period of the study, Model 2 foundations outperformed Model 1 foundations

Implications

- Good news – over 78% disclose financial statements – **but why not 100%?**
 - Transparency is expected and ...
 - The **business case for transparency** ...
 - Zech and Butler (2006) found that **53% of Catholic** parishioners felt they had enough information about parish finances compared to about **75% of Protestant** congregation members
 - Catholic parishioners who thought they had enough information **contributed 32% more** than those that didn't
- Education needed on value of GuideStar Transparency Ratings
- Identify board members & post financials on website
- Catholic Foundations are doing good work
 - **Tell your story!**



Thank you!



Research Methods

- Personal interviews of Foundation leaders (n=5)
 - to better understand the alternative models of the foundations, including their legal and governance relationships with the dioceses, and how to access information about them
- Website searches, including a review of audited financial statements and IRS Form 990s (of foundations that disclose their financial data)
 - GuideStar, ProPublica, and the foundation websites