

CATHOLIC GIFT ANNUITY CHARITABLE GIFT ANNUITY DISCLOSURE STATEMENT

A donor who wishes to make an irrevocable gift to their local Catholic organization and to receive a fixed stream of income for the donor's life (and, if desired, the life of another individual) may make a gift to Catholic Gift Annuity program and receive an annuity in return. This is known as a "charitable gift annuity". The Catholic Church Extension Society of the United States of America ("Catholic Extension") administers the Catholic Gift Annuity program for the benefit of dioceses that do not have the size to effectively administer their own gift annuity programs. As part of its non-profit operations, Catholic Extension administers over 4,500 individual annuity contracts.

How are Charitable Gift Annuities Created?

A donor enters into a gift annuity agreement with Catholic Gift Annuity and transfers money or property to the Catholic Gift Annuity program in exchange for a promise of Catholic Extension to pay a fixed amount annually to the donor (and a second individual, if desired) for life. The payments are made in quarterly, semiannual or annual installments. The obligation to pay the annuity is a general obligation of Catholic Extension. The payment obligation is not limited or tied in any way to the transferred assets (except in determining the amount of the annuity), and Catholic Extension's entire unrestricted assets are subject to the obligation (currently three times the outstanding obligation).

The Catholic Gift Annuity program also issues deferred payment gift annuities. Under a deferred annuity contract, a donor makes a current gift to Catholic Gift Annuity program in exchange for a promise of Catholic Extension to pay a fixed amount annually for life, beginning at a fixed date in the future.

The annuity payments made by the Catholic Gift Annuity program will be lower than the payments that would be available to a purchaser of a commercial annuity. The lower payments will result a higher balance in the annuity account at the death of the last beneficiary, to be used as a gift to the Catholic organization(s) specified at this time of the gift. Thus, two of the donor's wishes, to make a gift to Catholic organization(s) and to receive payments for life, are achieved.

How are Gift Annuities Treated for Federal Income Tax Purposes?

When a donor acquires a charitable gift annuity, the donor is allowed to deduct as a charitable contribution the excess of the amount of money or value of property transferred to Catholic Gift Annuity program over the fair market value

of the annuity to the donor (and successor annuitant, if any) at the time of the transaction.

If appreciated assets (such as appreciated securities) are given to the Catholic Gift Annuity program, the federal income tax laws treat the transaction as part gift and part purchase and sale. If certain requirements are met, the donor may report the gain on the annuity portion ratably over the donor's life expectancy, rather than reporting it all in the year the annuity is purchased.

A portion of each annuity payment will be included in the donor's gross income for federal income tax purposes (and if appreciated property has been transferred, another portion will be reportable as capital gain), and the balance is excluded from gross income as a return of consideration paid by the donor to purchase the annuity. This exclusion is spread over the donor's life expectancy. If the donor outlives his or her life expectancy, the entire amount of each annuity payment thereafter will be treated as ordinary income to the donor. At the end of each calendar year, Catholic Extension provides each donor with an I.R.S. Form 1099-R reporting the income and gain to the donor.

How are Gift Annuities Treated for Federal Estate and Gift Tax Purposes?

Generally, a donor who creates an annuity for the benefit solely of the donor pays no federal gift tax at the time of purchase. A husband and wife who create a joint annuity immediately payable to both spouses also pay no gift tax. If the donor names a successor annuitant to receive payments upon the death of the donor, a gift tax should not be due at the time of purchase if certain provisions are included in the annuity contract.

An annuity payable solely to the donor for life is not includible in the donor's estate for federal estate tax purposes. An annuity that benefits the donor's spouse, whether created during the donor's lifetime or established under the donor's will, also generally does not cause an estate tax. An annuity that benefits a person other than the donor's spouse, whether the person is named as successor annuitant to the donor or the annuity is created under the donor's will, may be subject to estate tax. The value of the annuity for estate tax purposes will depend upon the surviving annuitant's life expectancy.

Should Donors Seek Tax Advice?

The foregoing sections are general descriptions of the federal tax treatment of charitable gift annuities. The Catholic Gift Annuity program cannot give legal or tax advice to donors. Thus, individuals considering gift annuities should consult with their personal legal or tax advisors.

How does Catholic Extension Manage and Invest the Donated Funds?

Funds transferred to the Catholic Gift Annuity program for charitable gift annuities become general funds of Catholic Extension and may be commingled with other charitable gift annuity funds for investment purposes. This common investment fund is segregated and managed separately from other Catholic Extension funds, as required by various state regulatory agencies. The annuity is a general obligation of Catholic Extension, and any of Catholic Extension's unrestricted assets may be used to make the annuity payments.

Are the Gift Annuities Required to be Registered Under Federal Securities Laws?

Common investment funds managed by Catholic Extension are exempt from registration requirements of the federal securities laws, pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995 (P.L. 104-62). Information in this Disclosure Statement is provided to you in accordance with the requirements of the Act.

NOTE: This disclosure may be accompanied by a copy of Catholic Extension's most recent audited and any publicly available unaudited financial statements. If you wish to receive these statements, please request them from Catholic Extension by emailing help@catholicgiftannuity.org or calling (800) 842-7804.