

Endowed Major Gifts

Description, Features and Benefits

Introduction

This kit is one in a series that together make up a program (the “Program”). The Program is shared by multiple public charities and donors that have chosen to use a common umbrella charity to accept and administer gifts. This kit provides basic information about endowments. An application form that donors and their advisors may use is included in the kit.

What’s An Endowment? A Little History...

Not that long ago, an “endowment” under state law meant that the “principal” of an endowed gift could not be spent. Only “income” from the endowment’s investments could be spent, and income was limited to such things as interest, dividends, rents and royalties. Managers had to invest heavily in income-producing assets - such as bonds - if the charity were to have income to spend. During the last century, however, it became abundantly clear that over longer periods of time, common stocks delivered better *total* returns – income *and* growth – than did bonds. As a consequence, states began to change their laws, substituting “spending formulas” for the old notions of “principal” and “income.”

Modern Endowments

Today states allow spending formulas. For example, a charity’s board could decide to spend 5.75% of the endowment’s fair market value as of January 1st each year. If this year that figure was \$10 million, then the charity could spend \$575,000 (the “spending amount.”) Where does the charity get the cash?

The charity could obtain cash from interest, dividends, rents and royalties like in the old days. But it could *also* sell stocks, bonds or any asset it held in order to raise the full \$575,000. This ability to sell assets and spend the sales proceeds gives modern endowment managers greater flexibility. Now they can survey the entire marketplace of possible investments, seeking out the best total returns.

Types of Endowments

Donors have become more sophisticated about what an endowment can be. For example, while endowments have been thought of as perpetual, nothing prevents a donor and a charity from agreeing to maintain an endowment for a period of time after which it is to be liquidated and disbursed. Nowa-

days, an endowment is whatever the parties agree to that is within the scope of the charity’s tax-exempt purposes. Here are three categories of endowments:

1. General endowment unrestricted as to how the charity spends the spending amount.

Let’s say the donor *only* specifies that the gift is for the charity’s endowment. In this case the gift would be added to the charity’s general unrestricted endowment managed according to its customary procedures as explained above. Unrestricted gifts to the general endowment are very helpful because management can spend the spending amount on whatever its greatest priorities may be at the time. Who knows what the needs might be 50 years from now?

2. Standard endowments restricted as to how the charity spends the spending amount.

Often charities, in addition to their general unrestricted endowments, will setup endowments restricted to particular purposes; for example, a scholarship fund. Such funds make it easy for donors to make endowment gifts for purposes more meaningful to them. If the donor has strong preferences that none of the existing endowment funds match, then a new restricted endowment may be in order. Donors should discuss their intentions with the charity beforehand, however, because they could inadvertently be adding a burden to the charity. The amount of the gift is critical. The cost to administer a new restricted fund is the same whether the amount is \$1,000 or \$10 million. It would be better if donors who want to make endowment-type gifts, but for relatively small amounts, to make their gifts to the general unrestricted endowment or to an existing endowed fund for a special purpose.

3. Non-Standard Restricted Endowments

At some dollar amount charities will be more creative with donors about structuring new endowment funds. Since the possibilities here are endless, we leave it to one-on-one discussions.

What’s the Next Step?

Finish reading the pages of this kit. Complete the gift application form. Send it to the Program administrator who will telephone the applicant to review the application and answer questions. ♣

Schedule of Expense Deductions as of January 1, 2010

Introduction: The Program is shared by multiple public charities and individual Donors through the use of a tax-exempt umbrella charity (“Umbrella Charity”).¹ This Schedule of Expense Deductions lists some of the current administrative practices of the Umbrella Charity and the deductions it makes to cover its costs. **Please note that ...**

TOTAL EXPENSES = ADMINISTRATION (Schedules ‘A’ through ‘C’) + INVESTMENT (Schedule ‘D’)

Schedule ‘A’ – ADMINISTRATION - Transaction Minimums, Setup & Flat Annual Deductions

	1	2	3	4	5	6	7	8	9
	Outright Gift	Endowed Gift	Donor Advised Fund	Charitable Remainder Trust	Charitable Lead Trust*	Gift Annuity Contract	Pooled Income Fund	Life Estate Agreement	Charitable Living Trust
Kit	#1	#2	#3	#4	#5	#6	#7	#8	#9
Initial Minimum	\$10,000	\$25,000	\$10,000	\$150,000	\$150,000			\$100,000	\$150,000
Setup Deduct.	(1)	100	100	750	750			750	750
Annual Deduct.		100	100	500	500				500 Schedule ‘C’
Addition Minimum		1,000	1,000	(2)	(2)				1,000
Checks going out		Annually	As needed	Quarterly	Annually				As needed
Minimum Check		250	250	<p>(1) To process outright gifts of cash/publicly-traded securities to charities, the deduction is 2.5% of the asset, plus \$10 per charity. If the gift is not cash or public securities, please note the additional charges of Schedule ‘C.’</p> <p>(2) Only “unitrust” versions can accept additional contributions. If the addition is made as of December 31st there is no additional expenses deduction. For other dates there is a setup deduction of \$250.</p>					
Minimum Balance during Life		5,000	5,000						
Minimum Balance after Death		10,000	10,000						

Schedule ‘B’ – ADMINISTRATION - Asset-Based Deductions

First \$1 million: 0.57% per year; **Next \$1 - \$5 million:** 0.25%; **Next \$5 - \$15 million:** 0.15%; **Next \$15 - \$50 million:** 0.10%; **Amounts above \$50 million:** 0.05%.

Calculated on January 1st and deducted quarterly. Minimum total deduction \$1,500 per year for charitable trusts; \$100 minimum for all other account types.

Schedule ‘C’ – ADMINISTRATION - Other Expense Deductions

Out of pocket expenses for appraisals, surveys, taxes, insurance, etc. must be funded with cash from the Donor. Will deduct additional amounts from gift for transactions that require more time compared to cash/public stock gifts. For Charitable Living Trusts there is no additional charge for standard quarterly distributions, but other tasks such as paying household bills will be charged at an hourly rate.

Schedule ‘D’ – INVESTMENT EXPENSES

In most cases, Donors and Stewards may make suggestions, but cannot direct action by the Umbrella Charity concerning the broker-dealer (the “stock brokerage firm”), the registered representative (the individual “stock broker”) and/or the registered investment advisor (a professional who manages a portfolio), and the particular investments. Investment expenses are thus determined by the decisions made by the Umbrella Charity in selecting these firms, professionals and investments. None of the individuals involved with investments may be related by blood or marriage to the Donor or Steward.

¹ The initial Umbrella Charity is Charitable Foundation USA, Saint Louis, MO

Application for Endowed Gift (An endowment agreement will be prepared that you will sign at a later date. This application is NOT the agreement.)	Write in name of Introducing Organization:
Introduction: The organization whose name appears in the box to the right is the "Introducing Organization" of this Program, which is shared by multiple public charities and donors through the use of a tax-exempt umbrella charity ("Umbrella Charity"). ¹ This application form is your request for the Umbrella Charity to accept an endowed gift for the benefit of the public charities you designate in Section 'D.' Please complete this form, sign and date it. Please fax this form to 800-757-8711. Upon receipt, an administrator will telephone to review this form with you. Please mail the original signed form (make a copy for your files) to: Charitable Foundation USA c/o Wise & Scott, LLC, 2333 Grissom Drive, Suite 106, Saint Louis, MO 63146-3322. Telephone: 314-779-1898.	Contact person:
	Telephone:
	Please FAX To: 800-757-8711
	Also Mail Original To: Charitable Foundation USA c/o Wise & Scott LLC 2333 Grissom Dr., Ste. 106 Saint Louis, MO 63146-3322

Section 'A' – About You – The Person(s) Making the Gift

1	Your Name:	M/F:	Date of Birth:
2	Residence - Street:		
3	City:	State:	Zip: Res. Tel:
4	Status: <input type="checkbox"/> Married, <input type="checkbox"/> Widowed, <input type="checkbox"/> Single, <input type="checkbox"/> Divorced		Bus. Tel:
5	Spouse Name:	M/F:	Date of Birth:

Section 'B' – About the Assets Being Gifted (Not less than \$25,000 total)

6	Describe the assets to be gifted. Check ALL OPTIONS that apply.							
<input type="checkbox"/>	(a)	Enclosed Check payable to "CFUSA" for \$			Name on Bank Account:			
<input type="checkbox"/>	(b)	Publicly-traded securities. Do you have certificates? <input type="checkbox"/> Yes, <input type="checkbox"/> No, they are held in street name at						
		Broker's name:		Firm:	Telephone:			
		Security Name	SYMBOL	Number of Shares	Owner	Est. Value	Cost Basis*	Year Purchased
		* Need this information as soon as you can find it.						
<input type="checkbox"/>	(c)	Private C-Corporation** Name of Co:					State:	
		Number of shares outstanding:		Per share value:	No. of Shares to be gifted:			
		Is Company able to redeem shares? <input type="checkbox"/> No, <input type="checkbox"/> Yes						
<input type="checkbox"/>	(d)	Real Estate Location: **						
		At what price do you believe it will it sell:			How long will it take:			
		Your cost basis:	Annual costs (Insurance, Taxes, etc.):			Revenue:		
		Are hazardous materials on this site? <input type="checkbox"/> Yes, <input type="checkbox"/> No, <input type="checkbox"/> Don't know.						

¹ The initial Umbrella Charity is Charitable Foundation USA, Saint Louis, MO

Section 'B' – Continued

(e) **Other:** **

**** An appraisal from an independent qualified appraiser will be required.**

(f) **Amount of Grant \$_____ from (Check one):**
 Private foundation name: _____ Contact: _____ at Tel. _____
 Donor advised fund firm: _____ Contact: _____ at Tel. _____
 Name of your individual fund: _____ ID number: _____

7 Are there debts, mortgages or liens against any asset described in Question 6 (a) thru (e)? No, Yes

8 Any assets described in Question 6 (a) thru (e) jointly owned? No, Yes – Who:

9 If sold today would any asset in Question 6 (a) thru (e) produce ordinary taxable income? No, Yes

Section 'C' – Name of Endowment Fund (Example: John Doe Endowment Fund)

10 Name of Fund:

Section 'D' – For Below Charities (the “Charities”) Held in a Single Endowment Fund (the “Fund”) *

11	%	(a) Name of Charity	(b) Complete Address	(c) Telephone	(d) Is this gift anonymous?
	1.				Yes - No
	2.				Yes - No
	3.				Yes - No
	4.				Yes - No
	5.				Yes - No
	100%	* Not less than \$10,000 per Charity.			

Section 'E' – Endowment Fund Specifications (An endowment agreement will be prepared based on this application and subsequent telephone interviews. This form is NOT the agreement.)

12 The amount paid to the Charities shall equal ____% times the fair market value of the Fund on January 1st of each year, paid annually in January.

13 Payments shall begin in (check ONE): The year following establishment of the Fund, or _____ (year)

14 The Fund shall be held by Umbrella Charity (Check ONE OPTION): In perpetuity or For a period of _____ calendar years (not less than 5) after the current short year. At the end of this period, the Fund shall be transferred to the charities listed in Section 'D' subject to the restrictions of the Fund, if any. Umbrella Charity shall have no obligation to monitor the restrictions after transfer.

15 Leave blank for **unrestricted endowment**, or as best you can describe the restrictions for each charity. Use Section 'G' for more space:

1	
2	
3	
4	
5	

Section 'F' – About the Investments for the Endowment Fund

16 Indicate your request as to how the endowment is to be invested.

Section 'G' – Other Information or Requests

Section 'H' – Disclosure Statement & Signature(s)

I understand and agree that Introducing Organization, Umbrella Charity and the charities listed in Section 'D' do not render tax or legal advice. I understand and agree that I should seek the tax and legal advice I determine is appropriate for me in my situation. I understand and agree that Umbrella Charity is not an agent for Introducing Organization or the charities listed in Section 'D,' and they are not agents for Umbrella Charity. This application is exclusively between Umbrella Charity and me, the terms of which can be modified only in writing and only by the President of Umbrella Charity making specific reference hereto.

I understand that this application does not create an endowment fund (a "Fund"); that the Fund will be created by a separate agreement that will be reviewed and signed by me, and accepted by the Umbrella Charity at a later date. My purpose for creating a Fund is to make charitable gifts when I transfer assets to the Fund. I understand that a Fund is not a substitute for my will or other estate planning devices. I understand that once I transfer an asset to a Fund it becomes an **IRREVOCABLE Gift**. The asset cannot be returned; the Fund cannot be used for my benefit or for the benefit of any individual; and the Fund cannot be revoked or amended except as the Fund agreement may provide. I understand Umbrella Charity may not accept my assets or any restrictions I may have placed upon them if they do not conform to Umbrella Charity's tax-exempt purposes or standards. **I have read this application and to the best of my knowledge and belief all the information entered is true and complete.**

DONOR SIGNATURE: _____ **DATE:** _____

SPOUSE SIGNATURE: * _____ **DATE:** _____

* Spouse must sign if he/she joint owner of an asset listed in Section 'B.'

Administrator Use Only. Donor was interviewed by:

Print: _____ **Signature:** _____ **Date:** _____