Endowment Development Resource

How to Establish and Sustain an Endowment Program at Your YMCA
Contents

Introduction .................................................................................................................. 1
  Message to board members, CEOs, and executive directors ........................................ 1
  The time is now ......................................................................................................... 2

About This Guide ........................................................................................................... 3
  The role of experts .................................................................................................... 3

Overview of an Endowment Development Program ................................................. 4
  Definitions you should know .................................................................................... 4
  Types of gifts ............................................................................................................. 5
  Types of funds .......................................................................................................... 6
  Financial reporting .................................................................................................... 6
  Benefits of an endowment development program .................................................. 6
  Tax considerations .................................................................................................... 8
  Need motivation to get started? Just imagine .......................................................... 9

Organizing an Endowment Development Program .............................................. 10
  Develop your case .................................................................................................... 10
  Establish goals ......................................................................................................... 11
  Develop an action plan ............................................................................................ 11
  Obtain board approval ............................................................................................. 12
  Recruit endowment committees ............................................................................ 12
  Develop policy guidelines ....................................................................................... 13

Establishing and Managing an Endowment Fund ............................................ 15
  Decide the endowment fund’s legal status .............................................................. 15

Implementing an Endowment Development Program ...................................... 16
  Communicate with the board .................................................................................. 16
  Identify donor prospects ......................................................................................... 16
  Cultivate donors ....................................................................................................... 17
  Use multiple approaches to educate prospects and donors ....................................... 17
  Donor stewardship ................................................................................................... 19
  Qualifications for Heritage Club membership ..................................................... 19
  Recognizing Heritage Club members .................................................................... 20
  Reporting to Heritage Club members ..................................................................... 21

Additional Resources for Endowment Development Programs .................. 22

Appendixes ................................................................................................................. 24
  A. Sample board resolution for establishing an endowment fund .......................... 25
  B. Understanding and drafting not-for-profit gift acceptance policies .................. 30
Introduction

YMCAs with exceptional financial development programs develop and maintain a board of directors that views philanthropy as one of its top priorities and leads by example. These YMCAs utilize the board to develop and implement a comprehensive, multi-year plan to fund the philanthropic priorities of the association’s strategic plans now and into the future. This multi-year plan includes annual, capital, and endowment development fundraising strategies.

These YMCAs, at a minimum, have an active endowment development program focused on soliciting legacy gifts to support the vision and sustainability of their YMCA.

In addition, most of these YMCAs identify and develop meaningful ongoing relationships with donors and prospective donors who are capable of giving meaningful gifts to further the work of their association in their community and whose interest and donor motivations align with the YMCA’s mission and programs.

Message to board members, CEOs, and executive directors

YMCAs serve people of all ages, and some individuals throughout their lifetimes. Through this process, we develop friends of the YMCA movement who will make a current or future gift to a YMCA in order to share their good fortune; to help others; or to perpetuate their beliefs, values, and ideas for future generations.

To help assure your YMCA’s long-term financial stability, it is important to implement a strategy to create and grow an endowment fund. Earnings from this fund can support programs in your annual operating budget, provide flexibility in developing programs to respond to changing community needs, support future building maintenance, and provide a safety net in times of crisis or economic uncertainty.

As YMCA leaders, your goal should be to build an endowment fund that will provide a permanent source of funding so that your YMCA can meet its mission now and in the future.

Moreover, through the planning you do today, you will join other YMCAs across the country to help ensure into perpetuity that

- every child and youth will deepen positive values, their commitment to service, and their motivation to learn;
- every family will build stronger bonds, achieve greater work-life balance, and become more engaged with their communities; and
- every individual will strengthen his or her spiritual, mental, and physical well-being.
Long-term financial planning is a stewardship obligation of the leadership that was hired or elected to make their YMCA stronger during their term of involvement. Who knows what the future holds, what new markets you will be called to serve, or what new programs will be required to meet your mission? Rapid changes to a local economy make it even more important to plan for the future stability of your YMCA.

**The time is now**

Now is the time to start or reenergize your endowment program. An endowment development program is the first step, or gateway, to a planned giving program. Colleges, universities, hospitals, and other not-for-profit organizations have long known the importance of an endowment development program. Your potential donors are reading or hearing about legacy giving opportunities through the fundraising efforts of their alma mater, local hospital, bank trust officer, insurance agent, and church. How many of your members know that your YMCA also has a need for gifts that will perpetuate its vision for the future?
About This Guide

YMCA of the USA created this guide to assist YMCAs in developing and strengthening their endowment development programs through understanding

- the importance of endowment funds;
- how to manage the process of creating and administering endowment funds;
- how to approach and manage the relationships between donors and YMCAs.

If your YMCA is just embarking on the endowment development process or has an endowment program that is languishing, this guide will provide the information you need to start or reinvigorate your endowment program. It provides an overview of how to create an endowment fund, noting best practices at each stage of the process.

Those charged with establishing relationships with donors and recognizing their gifts will find resources and templates here for launching a Heritage Club. Executive staff will be more comfortable talking to donors and potential donors when they understand the endowment development program and the language of charitable giving. Endowment committee members are usually already familiar with various planned giving vehicles for making a gift to the endowment fund; for them, this guide serves best as a planning tool to consult as they establish the procedures and guidelines they will use to create and manage the endowment development process.

The role of experts

This guide references several sophisticated planned giving vehicles. YMCAs with advanced endowment development programs likely understand and use several of them. And, while their leaders, staff, and volunteers may be familiar with the principles of these vehicles, these YMCAs still consult experts—accountants, lawyers, and financial planners—to guide them through the process of developing policies and procedures, accepting complex gifts, and addressing donors’ technical questions.

If your YMCA is just starting an endowment development program, don’t let these concepts and related language intimidate you. Your goal in using this guide is to understand how an endowment development program works so you can effectively manage the process of creating or building the program at your YMCA.
Overview of an Endowment Development Program

An endowment development program is an ongoing process of building and preserving relationships with friends of the association who may wish to make gifts to your endowment fund during their lifetimes and/or include your YMCA in their estate plans. The goal of an endowment development program is to bring donors closer to your YMCA. The objective is to take a long-term view for building a portfolio of investments by cultivating relationships with prospective donors who could make current and future gifts. A strong endowment development program does not hinder annual giving but rather strengthens a donor’s love and passion for the YMCA.

Definitions you should know

Many words are used interchangeably when talking about developing an endowment development program. This can be very confusing to staff and volunteers.

These definitions, taken from Edward C. Schumacher’s book, Building Your Endowment (a workbook series from the fundraising school at the Indiana University Center on Philanthropy), will help get everyone on the same page as you discuss your plans:

- **Endowment.** A fund of money, the principal of which is held in perpetuity and invested and from which an organization may use only the return on investment.

- **Endowment fund.** The formal term to describe the accounting placement of endowment monies on the income statement of the organization.

- **Endowment program.** The permanent, continuous fundraising effort to build an endowment and which from time to time may include an endowment campaign.

- **Planned giving.** An area of fundraising that refers to several specific gift types made to a not-for-profit organization funded with cash, equity, or property (These gifts are commonly based on U.S. tax law. Planned gifts are referred to as such because they require more planning, negotiation, and counsel than an outright gift.)

Throughout this manual YMCA Heritage Clubs are referenced. This is a common name for a recognition society formed within a YMCA to acknowledge contributors of a current or future gift to the endowment fund.

YMCA executives and key development staff should know and understand the basics of planned giving vehicles and should be able to converse with donors and advisors about these methods of giving. But it is not necessary for staff and volunteers to know every technical detail or tax consequence of the various charitable giving methods: YMCAs should consult local attorneys, tax advisors, and financial planning experts.
experts for technical information and advice. Often these advisors are recruited to become members of an endowment technical advisory committee as described later in this guide.

Staff and, in some cases, volunteers do need to know the steps to take in starting and growing an endowment fund, the types of gifts and funds, and the relevant benefits of each gift to the donor and to their YMCA.

**Types of gifts**

You can grow your endowment fund through gifts of cash and cash-equivalent assets; through planned giving vehicles, which include bequests from wills, life insurance, and retirement plans that name your YMCA as a beneficiary; and through various charitable trusts and annuities.

Donors may make gifts to an endowment fund with no restrictions. This allows the board to allocate the earnings from the funds, determined by board-adopted policies on an annual basis, to meet the association’s most pressing needs. Donors may also designate that earnings, determined by board-adopted policies, be used for a broadly defined program area or to address a specific need that inspires the donor.

A donor does not need to have ready cash to make a gift to the YMCA endowment fund; gifts made in the future are an important option. Typical gift methods include the following:

- Cash and cash equivalents
- Charitable bequests
- Property & appreciated assets
- Life insurance
- Will bequests
- Retirement fund gifts
- Split-interest gifts (the gift returns a percentage of income to the donor)
  - Charitable remainder trusts
  - Charitable gift annuities
- Pooled income fund

For a more thorough description of gift options and their relative benefits to the donor and the YMCA, see Appendix M.
**Types of funds**

Just as donors will select the gift vehicle that best suits their financial plans, donors may choose to restrict their gifts as suits their long-term visions of the YMCA mission and how best to make their gifts work to meet that mission.

Because donors can restrict how their funds are used, endowment funds generally contain three fund categories:

- **Permanent endowments.** These are made up of gifts from donors who specify that the principal remain intact. YMCAs are restricted to using only the income from the gift and may only use that income for the purpose specified by the donor.

- **Term endowments.** Included in these endowments are contributions from donors who specify that the principal can be used, either over a period of time or when a specific event occurs. YMCAs can use the principal for any purpose when the terms specified by the donor are met.

- **Board-designated or “quasi endowment” funds.** These are unrestricted funds set aside by a YMCA’s board of directors to be used for a specific purpose. These are not really endowment funds because the board, not the donor, imposes the restriction. The board can remove the restriction at any time and spend the funds for another purpose.

**Financial reporting**

YMCA must report information about endowments on Schedule D of IRS Form 990. The information reported includes the percentage of each type of endowment (permanent, term, or board designated) in the total endowment fund, whether another entity holds and administers the funds, and the intended uses of the funds. There also may be state-imposed reporting requirements. See Appendix P for a copy of Schedule D.

**Benefits of an endowment development program**

Comprehensive YMCA financial development plans include many forms of fundraising—annual campaigns, capital campaigns, special events, major gifts, and endowment development programs—each with specific goals and benefits. Most of these forms of fundraising focus on specific, near-term goals, so fundraisers and donors readily understand their benefits. Because endowment funds focus on the long-term impact of your YMCA, it is sometimes more difficult to articulate their benefits. Keep these benefits in mind as you start or revitalize an endowment development program.

Benefits to YMCAs include the following:

- **Regular income.** Through smart investing and spending policies, an endowment fund can provide sustainable revenue for current and future programs and facility upkeep.
- **Broad donor opportunities.** Through commitments for current and future gifts of assets, an endowment program gives donors the opportunity to make a lasting impact on a YMCA. This connects donors not just to a program or a campaign goal but to the YMCA’s mission.

- **Timely solutions for changing needs.** An endowment fund allows a YMCA to remain flexible and innovative. Long-term financial security allows YMCAs to craft timely responses and appropriate solutions to the changing needs of their communities.

- **A stronger reputation.** Donors are motivated to invest in successful charities; a strong YMCA endowment development program builds donor confidence in the association’s ability to plan and manage for the future.

- **Financial stability.** A healthy endowment fund eases financial pressures to help ensure the long-term viability of the YMCA.

- **New donor opportunities.** A successful endowment development program will help you identify new prospects for gifts to capital campaigns and special projects. Many YMCAs are successfully including an endowment component in their capital campaign strategy. In this model endowment, funds strengthen both the capital component of building new buildings (maintenance funds for new facilities) and the program component (program subsidy) where significant, community-changing programs are introduced as an adjunct to the facility.

Benefits to donors include the following:

- **A sense of purpose.** At the heart of an endowment gift is the sense of purpose and satisfaction that comes from helping others. Many people have the means and the desire to support a worthy cause. When you recognize and thank them for their commitment, you give them the opportunity to enjoy the results of their generosity during their lifetime.

- **Financial advantages.** Donors can benefit from the peace of mind that comes from knowing their assets are secure now and their YMCA will use the funds according to their wishes in the future.

- **Substantial tax advantages.** Donors may realize tax advantages by making a gift to the endowment through various planned giving vehicles.

Volunteers are trained in making the case for support of both endowment and capital needs and how the two types of gifts will strengthen the organization. Donors to endowment programs give because their beliefs align at deep, personal levels with the core values of the YMCA movement. This is why today’s capital campaign often includes an endowment development component.
Planned giving, by definition, involves financial planning. Certain planned giving vehicles allow donors to benefit from long-term planning and management of their investments while retaining current use of their funds.

**Tax considerations**

Taxes are an important consideration for many potential endowment contributors. The tax advantages of planned giving vehicles vary tremendously depending on the method used, the state in which the gift is made, the federal tax regulations in force at the time, and the tax situation of the individual donor. When planned gifts are managed effectively, donors may realize tax advantages while retaining use of their assets for themselves and their families.

Generally, planned gifts to a YMCA qualify for federal income tax deductions. The rules for income tax deductibility are very specific and are strictly applied by the Internal Revenue Service. The rules are meant to assure that if a donor claims a charitable deduction, the charity involved will indeed benefit from the gift. In addition, gifts to charities are not subject to gift taxes.

Planned gifts are a tool. They provide tax benefits either by qualifying for a charitable contribution deduction when the gift is made or by protecting assets from the donor’s taxable estate. The tax implications of endowment giving are complex and far-reaching. YMCA staff involved in an endowment development program should have a general understanding of the potential benefits of planned giving vehicles but should not make definitive statements or provide tax advice. Since only a qualified tax advisor should provide specific tax advice, always suggest that donors consult their own professional advisors.

Some things to remember when fundraising to support an endowment development program:

- **A personal approach is key.** It is important to identify individuals who have a love and passion for your YMCA’s work. Through one-on-one personal conversations, you can help them discover how they can perpetuate their values, through the YMCA, into perpetuity. These discussions require mutual trust and personal relationships that will take time if not already developed.

- **Gift decisions take longer.** Cultivating a legacy gift for your YMCA’s programs or facilities will generally take longer than securing a gift for an annual or capital campaign. However, patience can have large rewards. You might raise fewer gifts, but historically, thoughtfully established gifts often turn out to be some of the largest donations a YMCA will ever receive.

- **Deferred gifts often allow individuals to make a larger gift.** Deferred gifts, such as a bequest from an individual through his or her will, account for the majority of gifts received by YMCA endowments. Making an effort to discuss the various options and asking for gifts now may have significant dividends in 20 to 30 years. Many YMCAs have received estate gifts in excess of $1 million due to the early efforts of volunteers or staff who effectively
demonstrated that their YMCA shared the values of a prospective donor and his or her family members, and asked the donor to bequeath a gift to the YMCA.

- **It is essential to preserve the integrity of your endowment fund.** Donors who give to an endowment fund do so because they want to see the value of their gift impact others and grow over time to serve more individuals. Therefore, careful stewardship of all funds and ethical guidelines for funds management and distribution must be established and maintained according to accounting standards. Doing so assures individual donors that the YMCA has not used a gift for any other purpose than for what it was intended. Establish investment guidelines to guide prudent investment strategies and enable donors to feel their gifts are secure.

There is no better time than now to start developing your endowment development program.

**Need motivation to get started? Just imagine.**

Imagine a couple taking their grandchildren to a YMCA summer camp that they themselves attended—that even their parents attended. Now imagine asking them to offer that same family legacy to another family through a gift to the camp endowment fund. You have just helped them transform the life of another through something they love and value. Think about how good this opportunity would make them feel and what lessons in family philanthropy it would offer to their grandchildren.

A gift to a YMCA endowment fund is not a transaction—it is the beginning of a long conversation of how someone would like to be remembered. To many YMCA donors, it is an investment in the future, a belief in the goodness and caring of others. It is an entrusted exchange of values from one individual or family to a YMCA.

Our donors invest in the YMCA’s ability to recognize social needs and address them. Families experience the strong charitable heritage of the YMCA movement every day through the fortitude of YMCA staff and programs to transform lives, through mentoring by a staff member, or by the encouraging words of a coach.

There are many who love the YMCA movement and want to help others. They should have the philanthropic opportunity to make a difference for generations to come.

All financially and programmatically healthy YMCAs should have an ongoing endowment development program (even if it is only in a position to encourage bequest gifts) to allow their donors the tremendous opportunity to experience the personal joy and satisfaction of knowing that they are making a lasting difference through their love of their YMCA.
Organizing an Endowment Development Program

Like any new program, an endowment development program should begin with solid planning that includes

- building a case statement for the endowment (general purpose statement);
- establishing goals;
- developing a budget for funding appropriate staff and marketing costs;
- developing an action plan;
- determining payout and investment policies and who will oversee that investment;
- obtaining board approval; and
- recruiting committee members to execute the plan."

Similarly, if your Y has a languishing endowment development program, revitalize it by taking a fresh look at your goals and action plan and repopulating your committees.

Develop your case

The “case” is your general purpose statement that will help others understand the vision and the need. To begin, outline why someone would want to give to your endowment fund. Explain why it is important to build an endowment fund that will provide a permanent source of funding that will enable your YMCA to meet its mission now and in the future.

Ask questions as you begin to outline a case for your YMCA. For example, how will this fund help ensure that

- every child and youth will deepen positive values, their commitment to service, and their motivation to learn;
- every family will build stronger bonds, achieve greater work-life balance, and become more engaged with their communities; and
- every individual will strengthen his or her spiritual, mental, and physical well-being?

Do you need to be prepared to serve new markets as community needs change or develop new programs to meet your mission? Being prepared to address rapid changes to a local economy makes it important to plan for the future stability of your YMCA.
Once you have established the need, articulate the case in a simple but compelling way so that board members, committee members, and staff can express the need for investment with passion and excitement for the future. Remember, the more compelling the reason to give, the more likely a donor will want to share your vision of the future.

**Establish goals**

After you have determined that you want to build an endowment development program, the first step is to secure shared commitment between the CEO/executive director and the board. Then determine the staff time, volunteer time, and financial resources (for marketing, training, meetings, meals, etc.) that can be dedicated to the development effort for the long term. From there you can begin to develop short-term goals as well as a longer term strategy with volunteers. Multi-branch associations may consider having each branch set individual goals.

**Set measurable goals**

To be effective, goals must be attainable and measurable. Setting goals allows a YMCA to gauge its progress, judge the effectiveness of the people involved in developing the program, and recognize successful efforts. To keep committee members engaged and enthusiastic, be sure that the goals you set are challenging but realistic and achievable. One of the most common measures of success relates to the recognition of those individuals who have made (current or deferred) gifts to the endowment fund. These individuals are recognized as members of a recognition society often called the Heritage Club in YMCAs.

Participation goals measure the number of new Heritage Club members each year. YMCAs that set Heritage Club participation goals can estimate gift expectancies based on the number of new members.

Contact goals are another option YMCAs should consider. For example, you can set goals for the number of new prospects contacted and/or visited, the number of Heritage Club members visited each year, or the number of prospect educational mailings completed each year.

YMCAs also can set goals related to board and community education and for outcomes of an annual recognition event.

Long-term monetary goals could focus on measuring either the amount of principal in the endowment fund or the level of income it produces as a percentage of the operating budget at some future date. A common goal is endowment income that equals 5 to 10 percent of the operating budget.

**Develop an action plan**

The next step is to translate your goals into an action plan. The plan should clearly describe each action step, give a specific time line, and assign responsibilities for each task. It should cover all aspects of the program, including communication strategies, board activities, development of a committee structure, development and updating of endowment and investment policies and distribution guidelines, and
completion of personal visits, marketing programs, recognition activities, and educational clinics and seminars.

For more about planning, see the following:

- **Appendix K** Endowment development program planning template
- **Appendix L** Endowment development planning tool

**Obtain board approval**

Once board leaders have endorsed the YMCA’s intention to launch or build an endowment development program, they must clearly communicate their reasoning and commitment to the full board. An effective board presentation includes sharing the concerns that motivated the leaders’ interest in increasing endowment giving, the benefits to the YMCA’s ability to carry out its mission, and the costs in both time and financial resources in starting the program (including the need to commit to the program for the long term). The presentation should also include a clear statement of the current status of the endowment fund, the endowment program’s goals, and how goals will be measured. This presentation is essential to educate individual board members who should consider making their own personal gifts in the future.

Immediately follow up on board approval by appointing committees to support the endowment development effort.

**Recruit endowment committees**

It is important that YMCAs have at least one committee that provides leadership in three aspects of the program:

- Assuring an active endowment development program
- Advising on the technical aspects of planned gifts
- Setting guidelines for endowment fund investments and payouts

YMCA should organize the committee(s) based on board member expertise, the YMCA’s size, and endowment development program model practices. If possible, invite donors and potential donors to serve on these committees. Some YMCAs use a single committee whose responsibilities include all three aspects of the endowment program.

Other YMCAs establish three separate committees to serve independent functions:

- **Endowment development committee.** This committee plans and coordinates efforts to cultivate potential contributors. The committee’s primary responsibilities include communicating with the board and prospects, creating marketing strategies, and managing the recognition club. Committee members should be highly credible leaders who are committed
to the YMCA’s values and its mission and who are willing to make personal gifts to the endowment fund.

- **Endowment advisory committee.** Members of this committee provide technical advice to staff. This committee is responsible for providing professional advice on planned giving policies and investment guidelines, planning educational seminars, and serving as a legislative liaison to ensure that YMCA leadership is aware of changes in laws that affect the program. Members should be recognized professionals in the fields of planned giving, law, finance, and insurance, and they should have a good understanding of the YMCA’s mission impact in the community.

- **Endowment investment committee.** The investment committee acts as a trustee, overseeing the management of the assets given by donors. The committee determines investment objectives, selects professional investment counsel, and monitors the counsel’s performance. Members also make recommendations for development and revision of payout policies to the board and ensure that donor designations are properly accounted for and handled according to the donor’s wishes.

Large associations with multiple branches may also organize branch endowment development committees to coordinate activities within branches. This results in stronger leadership and credibility at the local level.

**Develop policy guidelines**

It is important to establish guidelines for managing the endowment fund and the endowment development program. Guidelines should explain acceptable conduct by staff and volunteers when they discuss endowment gifts with potential donors. The guidelines should also spell out for donors the procedures and limitations to which the YMCA subscribes. The guidelines should also assist YMCA leaders in determining which types of giving vehicles the association is prepared to manage. A specially appointed committee should develop the guidelines (see “Recruit endowment committees” in the previous section). For smaller YMCAs, this task can be managed by one overall endowment development committee, with input from planned giving professionals. Ideally, this committee will include professionals in the areas of law, accounting, investment banking, and insurance because it is essential that the guidelines reflect all applicable state and federal laws. Once guidelines are drafted, the board must adopt them as official policies of their YMCA.

Policies should cover the use of legal counsel, those authorized to sign legal documents on behalf of the YMCA, acceptable gift solicitation techniques, protection of the donor’s interests (including confidentiality), types of gifts the YMCA will accept, and investment and disposition of earnings from endowment funds.
For more information about drafting guidelines and sample investment guidelines, see these appendixes:

- **Appendix A** Sample board resolution for establishing an endowment fund
- **Appendix B** Understanding and drafting not-for-profit gift acceptance policies
- **Appendix C** Sample endowment investment guidelines
- **Appendix D** Sample endowment fund distribution (spending) policy
Establishing and Managing an Endowment Fund

Most potential donors must be assured before making a commitment that the YMCA has made provisions to effectively manage their gifts now and well into the future. This is particularly true when a donor’s gift carries a restriction that the principal be kept intact in perpetuity. The objective of the board should be to preserve and enhance the purchasing power of the principal while providing a predictable stream of income in the future. To demonstrate good stewardship, the board should not be involved in day-to-day investment decisions, as this provides too much personal liability for its members.

YMCA's should consider the different options for professional investment management and determine which option best meets their needs:

- A YMCA can establish a segregated endowment fund and hire a professional investment manager to manage the fund within the investment guidelines established or approved by the board of directors and often overseen by an investment committee.

- The board may set up an endowment fund with a local community foundation that has demonstrated solid investment performance and governance.

Decide the endowment fund's legal status

Your board can decide to establish the endowment within the YMCA’s structure or set up the new endowment fund as a separate entity. There are advantages and disadvantages to both, so it is imperative to consult legal counsel when making the decision. A separate legal entity will require additional governance and administrative oversight, and the board of the separate entity may not always agree with the YMCA board as to how to use the funds. See Appendix O for a list of the advantages and disadvantages of spinning off the endowment into a separate corporation.

If your YMCA opts to create a separate endowment entity, there are several alternatives to consider. A separate 501(c)(3) corporation is the best way to protect the endowment from judgment creditors and from having the endowment corporation’s assets consolidated for tax and audit purposes. Other options include a separate 501(c)(4) supporting organization, a 501(a)(9) foundation, or a limited liability corporation to do specialized work in endowment. Be sure to consult legal counsel before adopting any legal structure and obtain advice on the accounting and Form 990 consequences of each option.
Implementing an Endowment Development Program

In addition to establishing a baseline policy, there are certain core elements that are essential to the success of an endowment development program, ranging from establishing board commitment to creating a donor recognition program. As you get ready to implement your endowment development program, make sure that you have a plan in place for how to handle the following program elements and have assigned responsibility for executing them.

Communicate with the board

Board members are better positioned to support the endowment development program when they are knowledgeable about all aspects of the program. Not only does this help them make their own philanthropic decisions, it enables them to represent to others how endowment giving will help your YMCA carry out its mission to meet community needs.

One popular method of communicating with the board is a series of three- to five-minute briefings at board meetings. Endowment committee members should present briefings up to three times per year. Each briefing should cover a single aspect of endowment development. Potential topics include the various components of the endowment development plan and specific vehicles of planned giving. Not all boards are created equal. A strong board development program is an essential first step to ensure that the right volunteers are in place to understand and champion an endowment development program. Emphasis on attracting volunteers who would advocate this kind of long-range thinking is critical.

Identify donor prospects

A successful endowment development program requires careful planning and follow-through in identifying donor prospects and then developing and maintaining relationships with donors.

As you begin to identify your best prospects, make a list of individuals that are already very committed to the work of the YMCA, such as

- donors who have made gifts to the YMCA annually for 10 years or more,
- current and past board leadership and board members,
- longtime facility members,
- families representing several generations of YMCA participation.

This list can be reviewed and refined by other staff and volunteers to identify your strongest prospects.
Cultivate donors

After you identify a top list of potential donors, determine how you will deepen their commitment to and involvement with your YMCA and its mission as well as how you will communicate to them the importance of your YMCA’s endowment fund.

Personal involvement helps transform understanding into action. Seek out potential and current donors and involve them—or involve them more deeply—in the work of the YMCA. Tap into their interests and ask them to serve on committees or to volunteer in areas related to their interests. Some may want to serve on one of the endowment committees. When these individuals reach out in turn to involve their peers, the result is an ever-expanding network of people dedicated to a better future for the YMCA and the community.

For the busy YMCA executive, this “donor cultivation” may seem overwhelming. However, if time is set aside each week to meet with just one or two individuals, this process becomes manageable and often rewarding. Donor cultivation meetings provide a great networking opportunity. During these meetings, when talking about the needs of the community and how the YMCA can address them, other connections are discovered that benefit the YMCA. Therefore, it is important to continue to set annual attainable contact goals to steadily move toward achieving your endowment goals.

Use multiple approaches to educate prospects and donors

Before community leaders and prospective donors will decide to make such an important commitment to a YMCA, they must understand the impact of the YMCA mission, the tangible effect it has on the community, and the advantages of endowing a YMCA. Donors should also understand the benefits that tax and estate planning may have for themselves and their families. This requires a continuous communication effort, including cultivation of the board, one-on-one prospect contacts, regular informational mailings, educational clinics and seminars, and other marketing strategies.

One-on-one contacts

One of the most successful strategies for a YMCA is for members of the endowment development committee to seek opportunities for one-on-one contact with board members, donors, members, and volunteers to discuss endowment giving and to encourage membership in the Heritage Club. This interaction should take the form of an informational conversation and must not be perceived as a direct solicitation but rather as an invitation to consider joining the Heritage Club, as well as a generalized discussion of various giving techniques. The goal is to stimulate interest and to respond to concerns of a prospective donor. Assign names of priority prospects and target contact dates to each committee member and staff as appropriate.
**Small-group gatherings**

Another time-tested strategy is to ask each member of the endowment committee and the board to invite a small number of individuals and couples to an organized social event that has an element of planned giving education. These events are held at attractive locations, often in homes, and allow time to socialize and share a meal. After the host makes an introduction, give a brief presentation about the YMCA’s future plans with an emphasis on how planned giving will be critical to this effort. This is usually followed by a presentation from a qualified expert on charitable giving and its role in estate planning. Remember, the focus at these gatherings should be on providing information; avoid any form of direct solicitation. Plan to follow up with a personal call to those who show a degree of interest.

**Frequent mailings**

To allow potential prospects to self-identify their interest, a frequent mail program is often used. It is a soft-sell approach to providing recipients with information on the YMCA’s impact and how gifts to the YMCA’s endowment fund help further the YMCA’s mission and vision. These mailings typically include information helpful in estate planning. The mailing list should be limited to people who have demonstrated real interest in the YMCA (i.e., longtime donors, volunteers, and members). A commonly used strategy involves mailing an informative brochure or newsletter with a personalized cover letter and a response form that allows the recipient to request a personal follow-up for additional information. These generally are mailed two to four times a year. Usually, there is not a large response rate, but those who do respond are often interested in giving. Just one meaningful gift could be worth much more than the cost of the mailing.

Whether these materials are produced by one of the various planned giving direct-mail firms or developed internally with legal review, the information provided should outline the benefits of financial planning and the positive impact a gift to the YMCA endowment fund has on the community.

**Wills clinics and estate-planning seminars**

There is a tremendous need for education on wills and estate planning. Many people are not adequately prepared, so their estates may not be handled according to their wishes. Your YMCA can help provide needed education and work toward achieving its endowment goals at the same time. When appropriate, conduct clinics and seminars as part of your YMCA’s adult programs. A local business organization might sponsor a clinic or seminar, or you can offer them specifically for members and friends of your YMCA.

The purpose is not to directly encourage people to include the YMCA in their estate plans but rather to offer a forum for knowledgeable experts to present helpful information about wills and estate plans. Of course, you can mention the impact of endowment gifts on your YMCA’s ability to meet the needs of children, families, and the community in an appropriate manner.
Wills clinics are usually promoted to the public. They generally feature a panel of experts, which can include an attorney, a financial planner, an accountant, and an insurance representative, who have agreed to volunteer their time without actively promoting their services during the session. The program should consist of short presentations by each panel member, followed by an ample question-and-answer period.

Estate planning seminars are usually more involved and are offered to a more select group. A number of sessions are conducted over several weeks. Estate planning experts can be recruited to conduct the sessions, which can cover topics such as taxes, property ownership, life insurance, gifts to individuals, pension plans and trusts, the role of an executor, and charitable giving. Again, the opportunity for giving to the YMCA can be suggested but should not be overplayed.

To avoid any conflict of interest situations from arising, it is best to recruit experts representing different companies and ask that the experts agree to make a generic presentation on the benefits of gift vehicles. They should not actively solicit business from attendees.

**Donor stewardship**

Formal recognition helps sustain relationships with donors who have made a commitment to a YMCA. Recognition serves to strengthen bonds with contributors and to encourage others to become involved. A Heritage Club or other recognition society, an annual focal event such as a dinner, and a donor recognition display in the YMCA facility help honor donors and reinforce their connection to the Y.

A recognition club is a key method of recognizing and thanking endowment fund contributors and those who have made planned gifts. In most YMCAs, this group is called the YMCA Heritage Club; however, select any name that inspires members and fits the culture of your association now and into perpetuity.

**Qualifications for Heritage Club membership**

Membership qualifications for your Heritage Club need to be established prior to the first recognition event and communicated annually to members and potential donors. YMCAs generally limit membership to those who have made or have arranged for a contribution or a planned gift to a YMCA’s endowment fund. It is not the amount of the gift itself, but the commitment it represents that is most important. Most YMCAs do not require a minimum gift amount to qualify for Heritage Club membership; rather, because individual circumstances vary, the requirement is a meaningful gift as determined by the donor.

Individuals, couples, or families usually qualify for Heritage Club membership by

- making an outright gift of money, securities, property, or other marketable assets to the YMCA’s endowment fund;
- naming the YMCA’s endowment fund as the beneficiary of a bequest in a will or a living trust;
- naming the YMCA’s endowment fund as a beneficiary of an annuity or a donor advisor fund;
• creating a charitable remainder trust, pooled income fund, or life estate gift to benefit the YMCA’s endowment fund;

• naming the YMCA’s endowment fund as beneficiary of a new or existing life insurance policy or retirement plan.

Donors can direct their gifts and commitments to the endowment fund to benefit the overall work of the YMCA or restrict their gifts to support a specific branch or program.

### Recognizing Heritage Club members

Recognize Heritage Club members both privately and publicly. A personal letter from the CEO and the endowment committee chair sent to each new member of the club, thanking him or her for the gift or commitment and reinforcing its importance to the YMCA, is very important to the donor relationship. A recognition display in the YMCA with names and photographs of Heritage Club members thanks and acknowledges members and can be tremendously valuable in attracting new members.

Host a dinner or other meaningful event annually to recognize and thank Heritage Club members for their commitments, to welcome and meet new members, and to report on how the YMCA’s endowment program is progressing and affecting the YMCA’s work for a better community. Maintain the focus on making Heritage Club members feel very special rather than soliciting additional gifts.

Many YMCAs use this event to encourage new members of the club to give a brief personal testimonial on why their YMCA is so important to them. This helps the group embrace new members while reigniting the passion existing members have for their YMCA.

Experience has shown that you should invite only Heritage Club members to this gathering, as this provides a very special recognition for donors who are ensuring their YMCA’s future.

For more information about establishing and running a Heritage Club, see these appendixes:

• **Appendix E** Heritage Club—A case for giving to the endowment fund

• **Appendix F** Heritage Club—Recognizing donors to the YMCA endowment fund

• **Appendix G** Sample Heritage Club search letter

• **Appendix H** Sample Heritage Club search response form

• **Appendix I** Sample Heritage Club gift information

• **Appendix J** Sample Heritage Club dinner program agenda
**Reporting to Heritage Club members**

As good stewards of the gifts that have been committed to or already received by the YMCA endowment fund, YMCAs should assure that donors and their families are kept informed.

Many gifts may be revocable, as in a bequest, and donors could change their minds if they are not continually assured their gifts are really needed by their YMCA. In addition, donors who have made one gift could be great prospects for an increased or new gift to the endowment fund. Therefore, the endowment committee should assure that visits are scheduled to report on the status of the Y’s programs (specifically discussing areas members are interested in), financial reports on the endowment fund status are sent annually to all club members, donors with named funds are informed of the status of their funds, and the CEO shares statistics and stories of the impact of their gifts with Heritage Club members.
Additional Resources for Endowment Development Programs

Many resources are available to help you develop your YMCA endowment development program. Over time, YMCA professionals have contributed to a growing body of resources that are available on YMCAexchange (www.ymcaexchange.org). Select Endowment/Planned Giving under the Financial Development tab. For questions related to your endowment development program, contact your YMCA of the USA resource director.

The following organizations also provide resources related to planned giving that not-for-profits can use when establishing endowment funds and guidelines:

- **North American YMCA Development Organization (NAYDO)** ([www.naydo.com](http://www.naydo.com)). The NAYDO annual conference provides a track on endowment development and planned giving.

- **Partnership for Philanthropic Planning (PPP), formerly known as NCPG National Committee on Planned Giving** ([www.pppnet.org](http://www.pppnet.org)). The mission of PPP is to increase the quality and quantity of charitable planned gifts by serving as the voice and professional resource for the gift planning community.

- **Association of Fundraising Professionals (AFP)** ([www.afpnet.org](http://www.afpnet.org)). AFP, an association of professionals throughout the world, advances philanthropy by enabling people and organizations to practice ethical and effective fundraising. The core activities through which AFP fulfills this mission include education, training, mentoring, research, credentialing, and advocacy.

- **Leave A Legacy Program** ([www.leavealegacy.org](http://www.leavealegacy.org)). Leave A Legacy is a public awareness campaign designed to inspire people to make a charitable bequest. Many states have a chapter with resources available to local not-for-profit organizations for promoting leaving a legacy to donors.

- **Planned Giving Design Center** ([www.pgdc.com](http://www.pgdc.com)). The Planned Giving Design Center is a national network of Web sites dedicated to enhancing philanthropy by providing free educational, design, and implementation resources related to charitable gift planning to donors, not-for-profit development and planned giving staff, and members of the legal, tax, financial, and gift planning communities.

While many organizations push their endowment development efforts to the back burner, it is critical that you take the time to start or reenergize endowment development efforts at your YMCA. Not only will this help you share your YMCA’s impact and vision for the future with more people, but you will also unlock the heartfelt passion many of your existing members and donors have for the YMCA. Together, staff and
volunteers, as stewards of the YMCA, can strengthen your association, while helping to ensure the long-term viability of its programs to help make a difference in the lives of children and families in your community for generations to come.
Appendixes
A. Sample board resolution for establishing an endowment fund

Note: This document is provided as a sample for reference purposes only. It is important that you work with your board to develop a resolution tailored to your YMCA's particular needs. It is also important that your resolution be reviewed by your local attorney to ensure compliance with state law.

The board of directors of _______________________________________________ (“YMCA”) does hereby establish an endowment fund, which shall be named as follows:

________________________________________________________

and shall be referred to hereafter as “The Fund.”

I. Definitions

1.1 The Fund. The total endowment fund created by this resolution. The Fund may contain both donor-designated endowment and board-designated endowment and may have separate named endowments within both donor-designated endowment and board-designated endowment.

1.2 Donor-designated endowment. Any gift in which the donor, at the time of making the gift, imposes a limitation permitting use only of income received from the gift and preventing the use of the principal from the gift. A gift that includes words that state the gift is for endowment or identifying the name of The Fund or any named endowment within The Fund shall be treated as donor-designated endowment unless the language of the gift clearly states or implies that the principal may be used. The board may not use the principal of any donor-designated endowment funds except as provided in this resolution.

1.3 Board-designated endowment. Includes any gift or other asset that the board may place in The Fund and that includes no donor restriction on the use of principal. Example: A donor gives money to the YMCA without specifying that it be for the endowment. The board places it in the fund. The board may or may not restrict the use of the income for any particular purpose. Later, the board may remove and use the principal and/or income from the board-designated endowment for any purpose it chooses.

1.4 Restricted endowment. Any donor-designated or board-designated endowment gift that places restrictions upon the particular use for the income derived from investing the principal, such as a gift “to the endowment to be used for youth programs.”

1.5 Unrestricted endowment. Any donor-designated or board-designated endowment gift that places no restrictions on the purpose for which the income is to be used.

1.6 Named endowment. Any portion of the principal within The Fund that is segregated from the other monies within The Fund under a separate name. Examples: The YMCA Camp Timberland
Endowment; the Partner with Youth Endowment; the Bob Jones Endowment for Youth. *(Because there are additional tracking, accounting, and stewardship obligations for each named fund, YMCAs should consider setting a minimum gift amount for a named endowment fund.)*

1.7 Principal. The initial amount of any gift or board-designated contribution to The Fund.

1.8 Income. Any interest, dividends, unrealized gains, or other financial returns received from investment of the principal.

II. Creation of The Fund

2.1 The board hereby establishes The Fund, which shall contain initially the following named endowments:

A. Donor-designated endowment

1. Restricted donor-designated endowment

2. Unrestricted donor endowment

B. Board-designated endowment

2.2 The board may, at its discretion, establish additional named endowments within The Fund.

2.3 Any person may contribute or bequeath devise money or other personal or real property to The Fund subject to the provisions of this resolution, as amended or modified. All property contributed or bequeathed to The Fund shall become the property of the YMCA and shall be held, managed, invested, and spent in strict accordance with the terms of this resolution.

2.4 The Fund created by this resolution shall not be a separate legal entity but instead shall be considered a part of the YMCA under the authority of the board of directors of the YMCA.

2.5 No gift shall be added to The Fund without board acceptance of the gift and approval of the donor-designated use of the gift.

III. Purpose and Use of The Fund

3.1 The purpose of The Fund is to provide financial support for either operating expenses or capital expenses of the YMCA.

3.2 No income or principal from the fund shall be used for any purpose other than educational and charitable purposes or for any purpose that would be inconsistent with the YMCA’s standing as a charitable not-for-profit institution under the laws of this state and of the United States of
America and specifically under §501(c)(3) of the Internal Revenue Code. No funds shall be used directly or indirectly for the benefit of any individual person, including but not limited to any employee or board member of the YMCA.

IV. Investment of The Fund

4.1 The board shall appoint an investment committee composed of people having knowledge and experience in the investing of funds. The board may retain a bonded institution or investment advisor to advise the investment committee and the board on how to invest the principal and to make investments of the principal.

4.2 The investment committee shall present to the board an investment policy and investment allocation plan for board approval, which may take into consideration the following factors:

A. The security and preservation of the principal
B. Investment for income
C. Investment for growth
D. Such other factors that the board shall determine from time to time

4.3 Within 30 days after the end of the YMCA’s fiscal year, the investment committee shall present a written report to the board stating the balance of principal, the income earned on the principal during the preceding year, any unrealized gain on investments of the principal, and the amount of any income used during the preceding fiscal year. The report shall have separate itemization of these matters for each named endowment in The Fund.

4.4 In no event shall any principal from any donor-designated endowment be loaned to, invested in, or otherwise used by the YMCA or any of its branches, subdivisions, or other related entities, except in accordance with the provisions of this resolution.

V. Making Income Available for the YMCA’s Use

5.1 The board may, in its discretion

A. reinvest all or any portion of the income received from the principal in The Fund and

B. use all or any portion of the income received from the principal in The Fund for any purpose consistent with the purpose of The Fund as stated in this resolution subject to any restrictions.
5.2 The board may adopt from time to time a formula for determining the amount of distributable income that shall be made available for use. The formula shall be reasonably calculated to approximate the income (as that term is defined in this resolution) derived from the principal in The Fund. Initially, the formula shall be as follows:

A. At the end of the YMCA’s fiscal year, the preceding three-year average return on 30-year United States Treasury notes will be determined.

B. At the end of the YMCA’s fiscal year, the preceding three-year average of the balance of The Fund will be determined. During the first three years of The Fund, this determination shall be the average balance of The Fund from its beginning.

C. The distributable income to be made available for YMCA use shall be the product of the three-year average return multiplied by the three-year average balance.

5.3 The distributable income calculated in accordance with the formula above, or in accordance with any different formula the board shall establish from time to time, shall be made available for use during the fiscal year following the date of calculation.

VI. Use of Principal from The Fund

6.1 The board may not use the principal from any donor-designated endowment within The Fund, except under the following circumstances:

A. As part of a proceeding involving the dissolution or ending of the existence of the YMCA

B. Withdrawal of the charter of the YMCA as a YMCA, or cessation of the operation of the YMCA as a YMCA

C. As part of a bankruptcy proceeding as to the YMCA

D. In accordance with requirements mandated by the law of this state or of the United States of America

E. With the written permission of the donor or the heirs of the donor

In no event shall the principal or any income from The Fund be used for purposes other than permitted under §501(c)(3) of the Internal Revenue Code.

6.2 The board, in using any of the principal from a donor-designated endowment permitted under the above circumstances, shall, if possible, use that principal for a purpose consistent with the perceived intentions of the donor subject to any requirements imposed by law. If such use is not possible, the board may use the principal in accordance with the articles of incorporation of the
YMCA. If neither of the foregoing purposes is possible, the board may use the principal for any other charitable or educational purpose it determines in accordance with law and in accordance with §501(c)(3) of the Internal Revenue Code.

6.3 The board may use the principal from any board-designated endowment at any time by majority vote of the board.

VI. Amendment
7.1 The board may amend this resolution at any time by majority vote, but no amendment shall be in contravention of law, and no amendment may have the effect of circumventing or abrogating a legal obligation of the board to any donor of a gift placed within The Fund.

CERTIFICATION
This resolution has been approved by a majority vote of the board of directors on this _____ day of __________, ___.

Name __________________________ Chair of board _______________________________

Name __________________________ Secretary of board ______________________________
B. Understanding and drafting not-for-profit gift acceptance policies

Documents related to guidelines for soliciting and accepting gifts, specifically the resource Gift Acceptance Policies for YMCAs, are available on YMCAexchange (www.ymcaexchange.org). Select Gift Rules and Systems, located under the Financial Development tab.

It is important to note that the IRS seeks information on gifts and contributions in Part V of Form 990. YMCAs should be familiar with the questions asked in Part V when developing gift acceptance policies and procedures. See Appendix P for Schedule D of IRS Form 990.
C. Sample endowment investment guidelines

Note: This document is provided as a sample for reference purposes only. It is important that your YMCA develop endowment investment guidelines tailored to your YMCA’s particular needs. It is also important that your investment guidelines be reviewed by your local attorney to ensure compliance with state law.

The investment objective for the endowment investment fund (the Investment Fund) shall be to preserve and protect the assets of the Investment Fund and to earn a rate of return on the assets that is competitive with the returns available from the various types of investments deemed appropriate for investment of the Investment Fund.

After preservation of capital, the objectives of the Investment Fund, in order of importance, are these:

1. The growth of principal to offset inflation
2. The production of a satisfactory level of current income.

The risk-taking capacity of the Investment Fund shall be consistent with “prudent person” standards (see note below). Rate of return shall be defined as income received and changes in market value. The emphasis on investment results will stress the long-term or full-market economic cycle approach.

While it is understood that the YMCA’s board of directors wishes investment counsel to have freedom to maximize opportunities, recognition must be given to the responsibility of the YMCA’s investment committee to periodically audit and monitor the performance of investment counsel.

YMCAs may want to consider socially responsible investment guidelines, which would involve integrating YMCA values into financial investment decisions. This could involve exclusion of certain corporate securities from an investment portfolio based on the corporation’s philosophy, attitudes, and actions toward various social issues (for example, not investing in companies that are supportive of certain industries, such as tobacco, gambling, alcohol, and so on). Implications of this type of guideline should be discussed with investment professionals to determine investment consequences.

[Note: In 1830, Judge Samuel Putnam stated, “Those with responsibility to invest money for others should act with prudence, discretion, intelligence, and regard for the safety of capital as well as income.” This statement is the guiding principle of professional money management. Some states have approved lists, called legal lists, of legal investments for savings banks and trust funds. Other states instead require fiduciaries to abide by the Prudent Investor Act.]
D. Sample endowment fund distribution (spending) policy

Note: This document is provided as a sample for reference purposes only. It is important that your YMCA develop an endowment fund distribution policy tailored to your YMCA’s particular needs. It is also important that your policy be reviewed by your local attorney to ensure compliance with state law.

Distributions to respective branch and metropolitan operations from the association’s endowment and unrestricted capital reserve funds (collectively known as the Investment Fund) will be made on a quarterly basis in an amount that shall be determined annually by the metropolitan finance committee.

As a rule, the amount to be distributed in a fiscal year shall be no less than ____ percent and no more than ______ percent of the three-year trailing average of the Investment Fund market value on August 31 of the prior year. Determining the distribution six months before the beginning of the fiscal year provides operating units with a predictable amount of revenue from this source.

To assure growth of a new endowment fund, payouts will not commence until the fund reaches $_____________(your YMCA should determine a reasonable minimum amount) or for three years so the formula related to the three-year trailing average will apply.
E. Heritage Club—A case for giving to the endowment fund

A healthy YMCA capable of making a significant impact in the community is a gift we have received from prior generations. It is a gift we should pass along to future generations. In a world in which so much comes and goes so quickly, the YMCA movement lasts. It is stable, values-based, professionally managed, in touch with public issues, and capable of meeting the changing conditions and needs of the future.

Many friends of the YMCA choose to help extend the YMCA’s influence beyond their own lifetimes by sharing some of the assets they have accumulated through making gifts to a YMCA’s permanent endowment fund. They can direct that such gifts support the overall work of that YMCA or designate them to support a specific YMCA program area and/or branch.

In recognition of the singular role that charitable organizations such as YMCAs play in meeting important needs in our society, the nation’s tax laws provide incentives that encourage philanthropy. Depending on the type of gift and specific arrangements, donors to the YMCA endowment fund can expect some or all of these benefits:

- Income tax savings through a tax deduction for the value of the charitable gift
- Avoidance of capital gains tax by contributing certain kinds of property that have increased in value over time
- Income for the lifetime of a donor and/or other beneficiaries
- The possibility of increased income
- Elimination of federal estate tax on the value of a gift passed to the YMCA upon the donor’s death
- Reduced estate settlement costs

When friends of the YMCA make the YMCA aware of their financial objectives and philanthropic objectives, the YMCA can direct donors to experts to help formulate a plan that takes full advantage of the available tax benefits, while fulfilling the donor’s desire to benefit future generations of children and families through the YMCA.

There are various gift plans that friends of the YMCA employ to meet personal and family tax, estate, and charitable planning objectives. The YMCA welcomes the opportunity to confidentially discuss one or more of these options with you.
F. Heritage Club—Recognizing Donors to the YMCA Endowment Fund

Note: This section is included within the body of “Implementing an Endowment Development Program,” but it is repeated here as a stand-alone piece for ready reference.

Donor stewardship

Formal recognition helps sustain relationships with donors who have made a commitment to a YMCA. Recognition serves to strengthen bonds with contributors and to encourage others to become involved. A Heritage Club or other recognition society, an annual focal event such as a dinner, and a donor recognition display in the YMCA facility help honor donors and reinforce their connection to the Y.

A recognition club is a key method of recognizing and thanking endowment fund contributors and those who have made planned gifts. In most YMCAs, this group is called the YMCA Heritage Club; however, select any name that inspires members and fits the culture of your association now and into perpetuity.

Qualifications for Heritage Club membership

Membership qualifications for your Heritage Club need to be established prior to the first recognition event and communicated annually to members and potential donors. YMCAs generally limit membership to those who have made or have arranged for a contribution or a planned gift to a YMCA’s endowment fund. It is not the amount of the gift itself, but the commitment it represents that is most important. Most YMCAs do not require a minimum gift amount to qualify for Heritage Club membership; rather, because individual circumstances vary, the requirement is a meaningful gift as determined by the donor.

Individuals, couples, or families usually qualify for Heritage Club membership by

- making an outright gift of money, securities, property, or other marketable assets to the YMCA’s endowment fund;
- naming the YMCA’s endowment fund as the beneficiary of a bequest in a will or a living trust;
- naming the YMCA’s endowment fund as a beneficiary of an annuity or a donor advisor fund;
- creating a charitable remainder trust, pooled income fund, or life estate gift to benefit the YMCA’s endowment fund;
- naming the YMCA’s endowment fund as beneficiary of a new or existing life insurance policy or retirement plan.

Donors can direct their gifts and commitments to the endowment fund to benefit the overall work of the YMCA or restrict their gifts to support a specific branch or program.
Recognizing Heritage Club members

Recognize Heritage Club members both privately and publicly. A personal letter from the CEO and the endowment committee chair sent to each new member of the club, thanking him or her for the gift or commitment and reinforcing its importance to the YMCA, is very important to the donor relationship. A recognition display in the YMCA with names and photographs of Heritage Club members thanks and acknowledges members and can be tremendously valuable in attracting new members.

Host a dinner or other meaningful event annually to recognize and thank Heritage Club members for their commitments, to welcome and meet new members, and to report on how the YMCA’s endowment program is progressing and affecting the YMCA’s work for a better community. Maintain the focus on making Heritage Club members feel very special rather than soliciting additional gifts.

Many YMCAs use this event to encourage new members of the club to give a brief personal testimonial on why their YMCA is so important to them. This helps the group embrace new members while reigniting the passion existing members have for their YMCA.

Experience has shown that you should invite only Heritage Club members to this gathering, as this provides a very special recognition for donors who are ensuring their YMCA’s future.
G. Sample Heritage Club search letter

[DATE]

[NAME]

[TITLE]

[ADDRESS]

Dear [NAME]:

As a longtime [friend/member/donor] of the [YMCA NAME], I know that you share my hopes that the [YMCA NAME] YMCA will continue to be a strong, positive force in the lives of youth and families in this community for generations to come.

Today I write to let you know that the YMCA’s board of directors has created an endowment program to provide for the future of the organization. The YMCA’s Heritage Club includes those individuals who have arranged for a gift to the YMCA’s endowment fund in their estate plans. Those who have joined and will join in the future want to see the values of the YMCA continue to build a stronger community. Membership in the club includes those who have arranged for bequests in a will or a living trust, created a charitable trust, or named the YMCA as a beneficiary of a life insurance or retirement plan.

We don’t want to overlook anyone who is qualified to receive an invitation to the Heritage Club’s inaugural dinner [OR OTHER EVENT, IF NOT A DINNER]. YMCA members and volunteers need your help to keep the YMCA values strong in our community.

If you have already made arrangements in your estate plans to leave a gift to the YMCA, please let us know. If you are interested in becoming a Heritage Club member, please fill out the enclosed confidential reply form and return it in the envelope to [CEO or EXECUTIVE DIRECTOR].

In the event that you know someone else who would be interested in hearing about the YMCA’s endowment and planned giving program, or you would like to know more about the Heritage Club please call [CEO/EXECUTIVE DIRECTOR] at [PHONE NUMBER] or indicate your interest on the reply form.

Thank you for your interest and support.

Sincerely,

YMCA Endowment Program Chair
H. Sample Heritage Club search response form

Note: Include a return envelope with this form. Address it to the YMCA staff or volunteer who will process it. This will help measure the response to the search process and ensure that those prospects who did not return a form will be contacted in the future. Design this form to fit into the envelope.

YMCA Heritage Club response form

In response to your recent letter, I qualify for the YMCA Heritage Club by designating [legal name of YMCA] as a beneficiary by the following method:

____ Bequest in a will or a living trust

____ Life insurance

____ Charitable trust

____ Retirement plan

____ Other ______________________________________

____ Please contact me. I am interested in hearing more about the YMCA’s endowment and planned giving program.

Name _______________________________________

Address _________________________________________

City_________ State _________ Zip Code_____________________

E-mail _______________ Phone ___________________________

I suggest that the YMCA also contact the following person about the endowment program:

Name _______________________________________

Address: ___________________________________________

City_________ State _________ Zip Code_____________________

E-mail _______________ Phone ___________________________

[Note: Enclose a self-addressed, confidential return envelope.]
I. Sample Heritage Club gift information

YMCA Heritage Club gift information

*Note: All information will be handled in a confidential manner.*

Date _______________

Full name: _________________________________ Birth date: __________________

Home address: _____________________________ Telephone: _____________________

City: __________________________State: ___________ Zip Code: ____________

E-mail address ____________________________________________________________

Spouse’s name: _____________________________ Birth date: _____________________

Children’s names and birth dates: ____________________________________________

________________________________________________________________________

Grandchildren’s names and birth dates:__________________________________________

________________________________________________________________________

Purpose for which gifts to the endowment fund are to be used when they become available in future years:

_______ A. General purposes of [legal name of YMCA] throughout the [name geographic area]

_______ B. Specific purposes of [legal name of YMCA] as follows:

    For ______________________ branch for __________________ program

Method(s) used to qualify for membership in the Heritage Club:

_______ A. Will or revocable Trust: _________% to the YMCA; $_________ to the YMCA

    □ Primary beneficiary   □ Contingent beneficiary

_______ B. Outright gift of: □ Cash □ Stock □ Property

_______ C. Life insurance: $___________________

    □ Primary beneficiary   □ Contingent beneficiary
D. Pooled income fund

E. Short-term trust

F. Charitable gift annuity

G. Charitable remainder unitrust or annuity trust

H. Pension plan (e.g., IRA, 401(k)) remainder

I. Life estate: ☐ Home ☐ Farm

Additional Contact Information

A. Name of attorney: ________________________________

B. Name of financial planner: __________________________

C. Name of CPA: ________________________________

Next steps____________________________________________________________________________
____________________________________________________________________________________
_____________________________________________________________________________________

(Use a separate sheet for notes.)
J. Sample Heritage Club dinner program agenda

The primary purpose of the annual Heritage Club dinner is to thank members who are investing in the YMCA’s future and to recognize those who have joined in the last year. The endowment committee should plan this event, seek sponsors, and act as dinner hosts. Avoid filling the event with long speeches, and ensure that any entertainment supports the goals for the event. Since many of the attendees are elderly, many YMCAs start the social and dinner at 5 p.m., which will allow the event to end early in the evening. Many YMCAs also offer a ride to the dinner for anyone who requests it, as some members may no longer drive.

Some YMCAs take photos of Heritage Club members during the social hour for the donors’ files. Reviewing these photos helps staff and volunteers, especially those who are new to the process, recognize members at the next event.

Suggested agenda

Social time (30–45 minutes): This is a very special time for the members to connect with individuals they may only see at this event. The event should be hosted by the YMCA or sponsors who will underwrite the expenses.

Welcome (1–2 minutes): Ask the endowment committee chair, the board chair, or the CEO to give the welcome. (Only one of these people should speak, and a volunteer is always best.)

Introductions (3–5 minutes): This is a time to introduce new members to the current Heritage Club membership. It is appropriate to state a few key items about each new member. At this time some clubs present each new member with a lapel pin, certificate, or frame indicating membership in this prestigious club. If you are introducing more than two new members, you might consider selecting the most compelling story and ask that new member to speak (2 minutes) for the group.

Invocation (2 minutes): A volunteer Heritage Club member should give the invocation. (If the event is for a multibranch association, this is a good place to involve branch volunteers.)

Dinner and program hosted by the YMCA or a sponsor (1.5 hours): Allow time for the following presentations during the meal, timing them to fall between courses and during dessert and coffee service, if possible.

Comments by the YMCA board chair or the endowment committee chair (5 minutes): If the dinner is sponsored, acknowledge the contribution as soon as everyone has been seated. The chair’s presentation should include a brief report on endowment fund progress for the year and how the earnings were used to further the YMCA’s mission.

Testimonial by a Heritage Club member or a YMCA program participant (5–10 min.): Program participant testimonials are very heartwarming and make the event special for the attendees. If possible,
select participants from programs that have been supported by YMCA endowment funds. One or two short testimonials (3–5 min. each) can be very effective and make a great segue into the introduction of new members.

**Benediction and closing thoughts** (2 min.): The closing provides another opportunity for a volunteer Heritage Club member to share inspirational thoughts related to the importance of their YMCA to future generations.

**Adjourn:** Thank everyone for attending the event and thank them once again for their current and future commitment to building the YMCA’s endowment fund.
**K. Endowment development program planning template**

Planning date: ________________

Annual planning schedule: ________________ to ________________

**Frequent mail contact program.** A routine mailing program to selected prospects and donors of the association to build awareness of the YMCA mission impact in the community and of the endowment program opportunities.

Mailing date: ________________

Topic & materials: _____________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________

Assigned to: _________________________________________________________________________

**Board presentations.** Brief three- to five-minute presentations given at board meetings up to four times a year by a member of the endowment committee. The presentations should stimulate board members to continually examine their personal estate plans and to consider qualifying for membership in the Heritage Club. Presentations may coincide with frequent mail efforts.

Board meeting date: ________________

Topic & materials: _____________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________

Presenter: __________________

**Small-group gatherings.** A special lunch or evening gathering of board members and other friends and spouses to hear a brief endowment development and planned giving presentation hosted by board and/or endowment committee members.

Date: ________________ Location: _______________________

Host: ____________________________________________
**Board awareness visits.** An opportunity for members of the endowment committee to talk individually with other board members to discuss the endowment program and the needs for endowment resources and to extend an invitation to join the Heritage Club.

Board awareness emphasis period: ________ to ________

Committee member in charge: ____________________________________________

**One-on-one visits.** Assign priority prospect lists to staff and volunteers for face-to-face contacts to discuss membership in the Heritage Club.

New member goal: ______________________________________________________

Date for identification of priority prospect list: ___________________________

Date for making individual contact assignments: __________________________

Check-in date to discuss individual meeting results: _______________________

**Heritage Club program.** Plan an annual gathering of friends of the organization who qualify for membership by giving current or deferred gifts to the endowment fund. The purpose of the annual meeting is to express appreciation to those who qualify. As individuals qualify, present individual recognitions throughout the year at special events or board meetings.

Current club membership: ______________________________

Year-end club membership goal: ____________________________

Date for annual club meeting: ______________________________

Place for annual club meeting: _____________________________

Committee member in charge: _______________________________

**Wills clinics or estate planning seminars.** Conduct wills clinics as a service to the people of cities or communities. The endowment committee should hold them once a year.

Date: ______________ Place: ____________________________

Committee member in charge: ______________________________
L. Endowment development planning tool

*Note: This planning document is for use only by YMCA staff and volunteers or in conjunction with help from an outside consultant. Times listed in target date column are provided as a guide and can be revised by a YMCA to fit their actual time line.*

This is a planning and implementation aid to assist the board of directors, the endowment committee, and the president or CEO in achieving the endowment development objectives during the first year of the program. This action plan template will serve as a graphic aid for guidance and reference to mark the plan’s progress as the work of the committees, the board, and the president or CEO are coordinated to produce results.

<table>
<thead>
<tr>
<th>Target date</th>
<th>Task and description</th>
<th>Person responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Today</td>
<td><strong>Financial development committee develops plan and presents it to the board of directors.</strong> The presentation will include a five-year endowment goal, suggested committees, and potential Heritage Club program.</td>
<td></td>
</tr>
<tr>
<td>Next board meeting</td>
<td><strong>Board of directors approves plan, goal, and program.</strong> This is a critical event in launching the Heritage Club endowment program. Maximum board support is crucial to the success of the plan.</td>
<td></td>
</tr>
<tr>
<td>Next 25 days</td>
<td><strong>Board chair appoints endowment development committee.</strong> Committee personnel should be decision-making individuals with the ability to give and to generate the gifts of others. <em>(See “Recruit endowment committees.”)</em></td>
<td></td>
</tr>
<tr>
<td>Next 30 days</td>
<td><strong>Board chair appoints endowment advisory committee.</strong> Committee personnel should include lawyers, accountants, bankers or trust officers, insurance agents, and investment counselors. <em>(Optional: Endowment development committee may perform this function.)</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Board chair appoints endowment investment committee.</strong> Committee personnel should not include trust officers or</td>
<td></td>
</tr>
<tr>
<td>Target date</td>
<td>Task and description</td>
<td>Person responsible</td>
</tr>
<tr>
<td>-------------</td>
<td>----------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td></td>
<td>investors but rather corporate decision makers. <em>(Optional: Endowment development committee may perform this function.</em>)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Committee and staff develop gift acceptance, investment, and endowment fund distribution policies. Board approves.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>YMCA contracts with a professional consultant. Enter into an agreement with a professional consultant who will visit the association during the year to assist the president or CEO in calling on prospects. <em>(Optional)</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Staff/volunteers research planned giving donor prospects. Develop a ranked list of prospects who will be asked to consider planned gifts to the endowment fund.</td>
<td></td>
</tr>
<tr>
<td>2–3 times per year</td>
<td>Staff/volunteers prepare a frequent mail (communication) program. Plan for two or three mailings (communications) to selected people who are known friends of the organization. Prepare and send the first issue.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Staff/volunteers schedule board presentations. Select three board meetings at which to make brief endowment presentations, reporting on progress of the endowment as well as stimulating interest in others to becoming Heritage Club members.</td>
<td></td>
</tr>
<tr>
<td>Spring or fall</td>
<td>Staff/volunteers develop a Heritage Club endowment program plan. Set a date and plan for the Heritage Club event. Then mail out a search letter to announce the meeting of the Heritage Club endowment program.</td>
<td></td>
</tr>
<tr>
<td>Target date</td>
<td>Task and description</td>
<td>Person responsible</td>
</tr>
<tr>
<td>-------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Spring and fall</td>
<td><strong>Staff/volunteers schedule a wills clinic.</strong> Set a date and begin planning for a wills clinic as a community service. <em>(Optional)</em></td>
<td></td>
</tr>
<tr>
<td>3–5 per month</td>
<td><strong>Consultant makes first visits.</strong> The consultant visits the various committees and calls on prospective donors with the YMCA president or CEO. If you haven’t retained a consultant, staff and volunteers make these calls. <em>(Optional)</em></td>
<td></td>
</tr>
</tbody>
</table>
|             | **Staff/volunteers develop deferred giving policy guidelines**  
Review suggested policy guidelines and develop guidelines to recommend to the board of directors. |                    |
| Ongoing     | **Consultant makes subsequent visits.** Consultant calls on prospects with the YMCA president or CEO. Staff and volunteers should make the calls if you don’t retain a consultant. *(Optional)* |                    |
|             | **Staff/volunteers make first board presentation.** Make a five-minute presentation to the board. *(Suggested topic: Ways to qualify for the Heritage Club)* |                    |
| First 90 days | **Staff/volunteers identify potential deferred gift objective.**  
To determine whom you should consider to manage charitable trusts, think about the various objectives individuals might have in creating deferred gifts. |                    |
<p>| 2 per year  | <strong>Staff/volunteers select wills clinic panel.</strong> Select a panel that includes a lawyer, a trust officer, an accountant, and an insurance agent. Secure a location for the clinic. Promote the wills clinic through press and radio as well as through mailings. |                    |</p>
<table>
<thead>
<tr>
<th>Target date</th>
<th>Task and description</th>
<th>Person responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Staff/volunteers make second board presentation.</strong> Make a five-minute presentation to the board. <em>(Suggested topic: Three methods of including a charity in a will)</em></td>
<td></td>
</tr>
<tr>
<td><strong>Ongoing</strong></td>
<td><strong>Consultant schedules additional visits.</strong> Consultant and YMCA president or CEO call on prospects. Calls on prospects are vital: volunteers and staff should call if you don’t retain a consultant. <em>(Optional)</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>YMCA holds wills clinic.</strong> Conduct a wills clinic as a community service.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Staff/volunteers make second contact as part of frequent communication plan.</strong> Prepare and mail/e-mail second contact to those on list of prospective donors with key messages, education, and contact for more information.</td>
<td></td>
</tr>
<tr>
<td><strong>As needed</strong></td>
<td><strong>Consultant makes visits regarding Heritage Club event.</strong> The consultant and the YMCA president or CEO call on prospects to discuss the upcoming Heritage Club event.</td>
<td></td>
</tr>
<tr>
<td><strong>3–5 months prior to event</strong></td>
<td><strong>Staff/volunteers finalize plans for Heritage Club event.</strong> Prepare the program, encourage board members and key staff to qualify, and make final arrangements.</td>
<td></td>
</tr>
<tr>
<td>Periodic review</td>
<td><strong>Staff/volunteers further develop investment procedures.</strong> Refine investment procedures developed to date so they are ready to implement. Recommend the procedures to the board of directors as suggested practice for the endowment investment committee.</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Staff/volunteers make third board presentation.</strong> Make a five-minute presentation to the board. *(Suggested topic: <em>Report on current endowment development activities and events)</em></td>
<td></td>
</tr>
<tr>
<td>(At committee meeting)</td>
<td><strong>Staff/volunteers review board awareness program.</strong> Members of the committee report on the one-on-one discussions with board members about membership in the Heritage Club.</td>
<td></td>
</tr>
<tr>
<td>As needed</td>
<td><strong>Staff/volunteers schedule a wills clinic for a retirement community.</strong> Hold a wills clinic and estate-planning seminar for a retirement community. <em>(Optional)</em></td>
<td></td>
</tr>
<tr>
<td>As needed</td>
<td><strong>Consultant assists with Heritage Club dinner.</strong> Ask the consultant to help with planning for the upcoming Heritage Club dinner event. <em>(Optional)</em></td>
<td></td>
</tr>
<tr>
<td>Spring or fall</td>
<td><strong>YMCA holds Heritage Club endowment program dinner.</strong> Convene the Heritage Club dinner event.</td>
<td></td>
</tr>
<tr>
<td>Annually</td>
<td><strong>Staff/volunteers distribute endowment program annual report.</strong> Prepare a printed program of the Heritage Club event with pictures of participants, a list of members, a greeting to members, and qualifications for membership.</td>
<td></td>
</tr>
<tr>
<td>Annually</td>
<td><strong>Endowment development committee evaluates efforts.</strong> The committee reviews progress on attracting new members and gifts over the past year, current committee member</td>
<td></td>
</tr>
</tbody>
</table>
interest and ability to participate for another year, and progress on meeting investment objectives. The committee also recommends further action to the board of directors for the coming year.

| Annually | **Staff/volunteers, committees, and board plan ahead.** After reviewing recommendations, each committee should be reappointed. Committees should develop action plans to achieve the program goals. |
M. Gift vehicles for building the endowment fund

Note: These are general descriptions and not to be relied on as legal advice. In addition, gift and estate laws are subject to change and a tax specialist should always be consulted.

Cash and cash equivalents
Perhaps the most common gifts that YMCAs currently receive come in the form of cash or appreciated marketable securities given to help them meet community needs. Long-term appreciated securities are those that donors have owned for more than a year and have increased in value since the donor acquired them. Depending on the donor’s circumstances, these charitable gifts are tax deductible as allowable by law.

Charitable bequests
Bequests constitute the primary source of endowment funds for YMCAs and are critical to increasing fund principal. Bequests allow donors to specify the portion of their estates they would like a YMCA to receive while ensuring that adequate funds remain available to them during their lifetimes to cover both expected and unexpected expenses such as taxes and the needs of their families.

There are two principal ways to provide for a YMCA through a will or a living trust. To make a specific bequest, the donor simply states that the YMCA is to receive a designated dollar amount or certain property. The second option is a residuary bequest. In this gift, the YMCA receives a stated percentage of a donor’s remaining estate after payment of all specific bequests, debts, and estate administration costs. Because the amount of a donor’s residuary estate varies from time to time, residuary bequests enable donors to incorporate flexibility into their estate plans.

Bequests to a YMCA may result in significant federal estate tax savings for the donor. There are no limitations on the amount that can be deducted from a taxable estate in this fashion. Because estate tax rates are graduated—that is, the larger the estate, the greater the tax percentage owed—a bequest to the YMCA may reduce the percentage of estate tax owed on the remainder of the estate.

Estate planning should complement overall financial planning. Another way to make a bequest to a YMCA is by including a testamentary charitable remainder trust in a will or a living trust. A testamentary charitable remainder trust begins at the date of the donor’s death, provides income for one or more beneficiaries throughout their lives, and defers the principal gift to the YMCA until the death of the last surviving beneficiary. A testamentary charitable trust can be a useful financial planning tool because it provides for the YMCA and other beneficiaries as well. It may also generate additional estate tax savings for the donor’s estate.
To make a bequest to a YMCA, the donor may add a codicil to a present will or have a new will drafted. If the donor has a living trust, he or she can create or add a bequest to the YMCA through a simple amendment to the trust.

**Planned giving vehicles for building the endowment fund**

Each type of gift listed below should be considered for acceptance only if the YMCA is able to comply with all local, state, and federal licensing and reporting regulations as required by that vehicle. In addition, when determining which types of gifts the YMCA will promote and accept, the YMCA should also have the expertise to discuss the gift with donors and the proper infrastructure or contract with outside expertise to manage the gift requirements.

- **Bargain sales.** A bargain sale is the sale of appreciated property to a YMCA at a price less than its current fair market value. This is a way to contribute to the YMCA’s work while recovering the costs of the item. The difference between the fair market value and the sale price is eligible for a tax deduction. YMCAs should consider only gifts that are debt free. YMCAs also should evaluate any risks that run with the land, such as toxic waste exposure.

- **Life insurance.** With help from a life insurance agent, a donor can make a change of beneficiary on an existing, paid-up policy to assign all or a percentage of the policy proceeds to the YMCA. A donor may also designate a YMCA as the beneficiary of a new policy. For the donor to receive income tax benefits from a gift of a policy with cash value, he or she should also make that YMCA the owner of the policy. If the donor continues to pay premiums, they will be deductible if the donor itemizes deductions on his or her income tax return and the policy beneficiary is irrevocable. If the YMCA is made the owner of a single premium policy, then the donor is not required to make any additional payments on that policy. The donor achieves an immediate tax benefit upon giving it to the YMCA. If the donor makes a gift of a policy that has annual premiums, then the donor will be required to make those premium payments. This approach has different tax implications to the donor. As always, encourage the donor to consult a tax advisor on the implications of these two approaches.

- **Charitable life income trusts (charitable remainder trusts).** Establishing a charitable life income trust (often called a charitable remainder trust) with a YMCA enables a donor to make a significant gift to that YMCA and also provide income to individual beneficiaries. The donor or other designated beneficiaries may receive income for life or a term not exceeding 20 years. To qualify for a charitable income tax deduction, a charitable remainder trust must be in the form of a unitrust or an annuity trust.

- **Charitable remainder unitrusts.** To create a unitrust, the donor irrevocably transfers assets (cash or securities, for example) to the trust. The trustee invests the unitrust’s assets and pays
a fixed percentage of the unitrust’s principal, valued annually, to the beneficiaries specified by the donor. As the value of the trust principal appreciates, payments to the beneficiaries will increase. Therefore, the unitrust may be suitable as a hedge against inflation or as a retirement income plan. To emphasize growth over current income, a younger donor may select a lower payout percentage for the trust. Once the unitrust is established, donors may make additional contributions.

- **Charitable remainder annuity trusts.** To create an annuity trust, the donor irrevocably transfers assets to the trust. During the term of the trust, the trustee pays a fixed dollar amount each year to the income beneficiaries specified by the donor. The annual payment to the beneficiaries is calculated by applying a fixed percentage to the initial value of the trust: that same dollar amount will be paid to the beneficiaries each year from the trust income, or from the trust principal if income is not adequate. The annuity trust is a good choice for the donor who prefers a fixed-income plan or for the donor who chooses to fund the trust with tax-free bonds. Donors may not make additional contributions to an annuity trust after it is established.

### Tax benefits of charitable remainder trusts
Funding a charitable remainder trust with highly appreciated assets allows the trust to bypass the capital gains tax that would be due on the appreciation if the property were sold. In addition, in the year a charitable remainder trust is established, donors will receive an income tax deduction equal to the remainder value of the charitable gift. If donors are not able to use all of the deduction in the year of the gift, a carryover period of up to five years is allowed. Considerable gift and estate tax savings may result from establishing such a trust.

### Pooled income funds
A pooled income fund allows donors to contribute cash or marketable securities to the YMCA’s pooled income fund while reserving the right to receive income for a lifetime and/or the lifetime of the designated beneficiary(ies). A beneficiary of the pooled fund receives all of the income attributable to his or her share in the fund. During years when the fund appreciates, a beneficiary’s share will grow in value, resulting in the possibility of larger income payments in future years.

The YMCA, acting as trustee, holds all gifts to the pooled fund and commingles them for investment purposes. The laws in some states prohibit YMCAs from managing these investments, so an outside financial institution must be retained. YMCAs also should be aware of federal laws regulating pooled income fund gifts. Upon the death of the income beneficiaries, the remainder interest in the shares of the fund will support whichever YMCA endowment fund the donor has designated.
A donor to one of the YMCA’s pooled income funds will receive an immediate charitable income tax deduction for the remainder value of the gift. In addition, a gift of an appreciated asset generally avoids capital gains tax on the transfer.

**Gifts of retirement plan assets**

For many Americans, an IRA or other qualified retirement plan may be one of their largest assets. However, those who are planning to leave that nest egg to their children often do not realize the massive tax bite (as much as 80 percent) that will be taken out at the time it is passed to their heirs. Fortunately, there is an alternative. In recent years, the IRA roller gift technique has been a very good option for donors to make distributions from their IRAs with no income tax trigger; however, tax law changes often, so YMCAs should stay abreast of all federal and state laws that govern gifts from retirement assets.

Those who may have significant retirement plan assets but no heirs can avoid potential estate and income taxes on any part of those assets that might still be in the estate at death by making the YMCA the beneficiary of any unused plan assets.

**Gifts of a remainder interest in a residence or farm (retained life estate)**

The gift of a remainder interest in a personal residence or farm allows donors to make a current transfer to the YMCA of a partial interest in their property while retaining the right to occupy and use the property for their lifetimes. Donors continue to be responsible for real estate taxes, utilities, and regular maintenance. After the donor’s death, the property becomes a gift to the YMCA.

At the time of the gift, donors are entitled to a charitable deduction to their income tax for the present value of the YMCA’s remainder interest. This can increase a donor’s income. What may be more important from a donor’s point of view, however, is that he or she can continue to live in the residence or operate the farm without disrupting his or her lifestyle and without giving up possession of the property.

In addition to a single-family dwelling or a vacation home, the definition of a personal residence is broad enough to include a condominium or stock in a cooperative housing corporation. According to current tax law, the residence need not be the donor’s principal residence.

In certain situations (licensing is required in many states), donors may exchange the value of a charitable deduction for a fixed-rate annuity for life from the YMCA. In addition to receiving income, donors will receive an immediate charitable income tax deduction, although it will be less than the deduction for establishing a retained life estate without an annuity.

YMCAs may require that property donated to a retained life estate have a fair market value of at least $250,000, substantiated by a current appraisal by a certified appraiser. It is YMCA of the USA’s position that mortgaged property should not be accepted. In addition, the donor(s) must be at least 50 years of age.
YMCA of the USA

Endowment Development Resource

YMCAs should be aware of all current and future legal implications before accepting gifts of property. To assure that a YMCA’s interests are properly protected, YMCA of the USA recommends that YMCAs seek the advice of legal counsel qualified in the field of real estate and in not-for-profit law when developing property acceptance guidelines.

*The charitable deduction is determined using an IRS-mandated calculation that involves several factors, including the fair market value of the property as substantiated by a current appraisal by a certified appraiser, the age of the donor(s), and the applicable federal interest rate assumption. The value of furnishings cannot be included in the calculation.

Charitable lead trusts
Establishing a lead trust at the YMCA enables a donor to transfer assets to family members at a reduced gift tax cost while making meaningful gifts to the YMCA.

Non-grantor lead trusts
The most common form of lead trust is called the non-grantor lead trust. The two principal goals of the non-grantor lead trust are to

- make a gift to the YMCA;
- transfer assets to family or friends at a minimum cost in transfer taxes.

Typically, this type of trust pays an annual amount to the YMCA for a period of years determined by the donor. At the end of the payment period, all assets remaining in the trust and the appreciation thereon are distributed to the donor’s designated beneficiaries. Any transfer tax on this distribution is measured upfront when the trust is established rather than at the point of distribution. In addition, the donor receives a charitable gift and estate tax deduction for the present value of the payments to the YMCA. The net result is that the donor can affect a substantial transfer of assets to both the YMCA and the beneficiaries at little or no cost in transfer taxes.

When a non-grantor lead trust is established, the donor to the trust is deemed to make two gifts, one to the YMCA and one to the ultimate beneficiaries of the trust. The combined value of these gifts is equal to the fair market value of the assets placed in trust. The charitable gift to the YMCA is 100 percent deductible for gift tax purposes, while the gift to the non-charitable beneficiaries is not deductible and hence taxable. Thus, a higher charitable gift will reduce the potential gift tax on the non-charitable portion of the gift. The current low interest rates have the effect of inflating the deduction and lowering the gift tax. In some cases, it may be possible to zero-out, or eliminate, the gift taxation on the transfer to the non-charitable beneficiaries.
The non-grantor lead trust becomes a separate entity for tax purposes. The trust will receive an annual charitable income tax deduction for the full fair market value of the payments to the YMCA. Income not paid to the YMCA but accumulated by the trust will be taxed to the trust, but not to the donor. The income stream, therefore, is removed from the donor’s tax return, giving the donor the opportunity to deduct other charitable gifts up to the full allowable percentage of adjusted gross income.

Assets with a high appreciation potential are particularly attractive for funding a non-grantor lead trust. The trust may use appreciated securities to make the annual gift to the YMCA without tripping the capital gains tax. Careful estate planning, such as funding a lead trust with stock in a family-owned business, can help assure a smooth transition and continuation of family-owned businesses.

**Grantor lead trusts**

The grantor lead trust is a less commonly used form of the lead trust. With a grantor lead trust, the assets in the trust may revert to the grantor at the end of the term. The income tax consequences will be the opposite of those resulting from the creation of a non-grantor lead trust.

Establishing a grantor lead trust will give donors a current charitable income tax deduction for the initial present value of the payment made by the trust to the YMCA. During the term of the trust, the donor (not the trust) will report and pay tax on all trust income with no offsetting yearly charitable deduction.

Positive tax consequences may result from establishing a grantor lead trust if donors face a high marginal income tax rate for a particular year but expect to drop into a relatively low tax bracket in subsequent years when they must report any income of the trust. Securities yielding tax-free income are a common asset used to fund such trusts.
N. Sample bequest language to make gifts to the endowment fund

Note: Your YMCA should always instruct donors to use the YMCA’s legal name as listed in the articles of incorporation of the association.

To [LEGAL NAME OF YMCA], restricted to the general endowment fund:

“I give to [LEGAL NAME OF YMCA], a [STATE] corporation, [CITY, STATE], the sum of $__________________ (or _________________ percent of the remainder of my estate) to be deposited in the YMCA’s endowment fund. The income shall be used to benefit said YMCA in such manner as the board of directors thereof may direct.”

Restricted to a particular branch endowment fund:

“I give to [LEGAL NAME OF YMCA], a [STATE] corporation, [CITY, STATE], the sum of $__________________ (or _________________ percent of the remainder of my estate) to be deposited in the YMCA endowment fund. The income shall be used for the benefit of the [branch of donor’s choice] in such manner as the board of directors thereof may direct.”

Restricted to a particular branch endowment fund for a particular purpose:

“I give to [LEGAL NAME OF YMCA], a [STATE] corporation, [CITY, STATE], the sum of $__________________ (or ____________ percent of the remainder of my estate) to be deposited in the YMCA endowment fund. The income shall be used by [BRANCH OF DONOR’S CHOICE] for support of ___________________. If, after ___ years, in the judgment of the board of directors, such use is no longer available or appropriate, the board may apply the income to another use consistent with the purposes of the YMCA.”

When a donor wishes to place a restriction upon the use of the gift or bequest to the endowment fund for a specific program, it is suggested that the legal instrument empower the YMCA’s board of directors, after a certain number of years (such as 10, 15, or 20) to evaluate the restriction. If the original purpose for which the gift was made is no longer relevant, have the board re-designate its purpose to an appropriate alternate use.
O. Whether a local YMCA should set up a separate corporation for its endowment

Office of the General Counsel YMCA of the USA

I. INTRODUCTION
The term endowment is broadly used. At its core, an endowment is made up of specific funds, generally divided into 3 categories:

A. Endowment Funds
These are termed permanent endowment, or true endowment funds, or traditional endowments. This fund is derived from gifts and contributions for which the donor has specifically requested that the principal remain intact and not be invaded for any purposes. Only the income derived from the gift may be used to fund ongoing purposes at the YMCA. The funds in this category can be restricted to a particular use (for example, income derived is to fund building maintenance or to fund additional child care) or can be for unrestricted or general purposes (income can be used for any purpose for which the YMCA is registered as a charity). Gifts and contributions to endowment funds of this nature are reported in the permanently restricted class of net assets. The income derived from the principal in this category is reported in the temporarily restricted class of net assets if the earnings are only to be used for a donor-specified restricted purpose. Income is reported in the unrestricted class of net assets if the income derived from the principal can be used for general purposes.

B. Term Endowment Funds
These are derived from gifts and contributions in which the donor has specified that over a period of time, or when a specific event occurs, the principal can be spent for a donor-specified restricted purpose or for a general purpose. Gifts and contributions to endowment funds of this type are reported in the temporarily restricted class of net assets. It is not uncommon to receive gifts from donors that consist of both traditional and term endowment funds. For example, a donor could give a gift of $1.5 million to a Y and specify that up to $1 million must be used to build a new wading pool for children over the next 2 years while the remaining principal is to remain intact with the earnings on this principal only to be used to maintain the new pool and replace the pool when it becomes obsolete. One million dollars of this gift is recorded as a term endowment, and the remaining $500,000 is recorded as a permanent endowment, for pool maintenance and repair and replacement.

C. Quasi Endowment Funds or Board Designated Endowment Funds
These types of funds are for unrestricted money that a board of directors has set aside from general gifts as an endowment. Sometimes these funds are termed “board designated funds” or “board designated funds functioning as endowments.” These funds are kept clearly distinct from donor-designated endowment funds and are reported in the unrestricted class of net assets because at any time a board may
vote to spend these funds. Boards cannot vote to change the nature of donor restricted gifts. With this background, a local YMCA board and staff can then move to an assessment of whether starting an endowment is right for them.

II. STEPS TO ASSESS A YMCA’S ENDOWMENT OPTIONS

A. Draft a Vision Statement for the Endowment

The first step always is to gather staff and board to discuss the reasons for having an endowment entity, at all. Such assessment should address why an endowment is desirable, why the time is correct for starting an endowment, and what the prospects for having an endowment are.

B. Clarify Function and Purpose of an Endowment

The purpose statement is very specific and lists in detail the initiatives to be supported by the endowment fund. Common examples include the following: building maintenance, new YMCA site development, providing support for YMCA programs through scholarships or reduced membership fees for all, and providing seed money for new program initiatives. Endowments can also be established for totally unrestricted purposes. In essence, the donor is providing for a long-term funding source that can be used at the discretion of the board. When establishing the purpose, multiple purposes can be accommodated by designating a separate fund group within the endowment for each initiative to ensure donor requests are fully met. However, a YMCA might choose to establish a single purpose endowment fund as well.

C. Decide the Endowment’s Legal Status

The YMCA board can decide to set up the new endowment fund as a separate entity, or it can establish the endowment within the local YMCA structure. There are advantages and disadvantages to both. The advantages and disadvantages of spinning off the endowment into a separate corporation are listed below:

1. Advantages
   - Donors tend to have a greater sense of comfort that their money will be properly managed and protected in a separate endowment corporation.
   - Increased expertise in investment from a board focused on the endowment only.
   - An endowment board can move faster and react to market changes more quickly than a board with many other responsibilities, since the endowment board is focused on one thing.
   - If the endowment is totally separated into another corporation it will not be consolidated for tax purposes.
   - A separately incorporated endowment will be protected from judgment creditors of the local YMCA.
• There is a greater likelihood of ability to follow donor intent, because of the focus of the board and support staff on making certain this occurs.

• Operations and costs related to the endowment do not burden the local YMCA operational budget.

• Keeps the endowment protected when times are tough for the YMCA.

• Eliminates conflicts of interest of board member, who is a stock broker, who wishes to manage the endowment (UNLESS THERE IS A STOCK BROKER ON THE ENDOWMENT BOARD).

• Provides for a larger group of volunteers to be involved, since two boards will need to be staffed if separate corporations.

2. Disadvantages

• If the endowment is truly separate, the local YMCA board will not be able to control how the money is invested, or how much will be paid out to the local YMCA for annual operations.

• Having a separately incorporated endowment increases staff work (separate corporate filings, audits, IRS issues, and additional staff).

• Disputes between the YMCA Operations Board and the YMCA Endowment Board can occur.

• Oftentimes, the separate endowment corporation board tends to focus on stewardship and not on fundraising, leaving fundraising to the local YMCA board instead.

• The separate board may interpret the vision and mission of the underlying YMCA board differently.

If your YMCA opts to spin off your endowment and do a separate corporation, there are several legal options to consider. A separate 501(c)(3) corporation is the best way to protect the endowment from judgment creditors, and from having the endowment corporation’s assets consolidated for tax and audit purposes.

Another option is a separate 501(c)(4) supporting organization provision under the Internal Revenue Code. This would not allow for total separateness, since consolidation is generally considered appropriate. A 501(a)(9) foundation is yet another option. This tends to be more separated than the 501(c)(4) from the local YMCA. Last, a Limited Liability Corporation to do specialized work in endowment is yet another option for having a separate board oversee the endowment. However, judgment creditors of the local YMCA may be able to reach an LLC’s assets. Therefore, if your YMCA is sincerely interested in having
separate endowment, unreachable by creditors, and not consolidated with the local YMCA’s financials, the options are to have a totally separate 501(c)(3) corporation or a 501(a)(9) corporation.

**D. Put in Place Governance Structure**

Governance is critical to the success of establishing a new endowment fund, whether for a stand-alone corporation, or within an existing YMCA. A governance structure must be established that accommodates both operational and programmatic needs. Advisory committees are often established to assist the board in developing and overseeing gift acceptance policies; guiding programs; overseeing development efforts and fundraising events, and reviewing finances and budgets.

**E. Goals and Objectives**

Goals and objectives provide concrete benchmarks for the purposes discussed under step B, above. They detail which programs will be started first, set goals for raising funds, establish thresholds for fund disbursement, and provide the basis for establishing budgets.

**F. Creating the Structure**

The new endowment fund should establish fund groups in line with its purpose. Separate funds will help ensure donor restrictions are being honored and fulfilled. Separate fund groups could be maintained as outlined below. Individual-named funds in each group below are shown for example purposes only, but are typical for endowment funds with multiple purposes:

1. **General Purpose Funds (multi donors):**
   - Memorial Fund
   - Past Chairman’s Fund
   - General Fund

2. **Specific Purpose Funds (multi donors):**
   - Scholarship Fund
   - Pool Fund
   - Building Maintenance Fund

3. **Named Funds (Single donors $___ minimum to establish):**
   - Specific funds with a single donor for specific purposes
G. Developing Policies and Procedures

The board should develop appropriate policies and procedures to ensure that the endowment fund is operated in a secure and professional manner. This includes retention of investment advisors and appointing a board (for a separate corporation or both an endowment development committee (to raise funds) and an endowment investment committee (to invest funds)) if the endowment remains within the YMCA corporation.

For more information on all of the above, please feel free to call the Office of the General Counsel at 800-872-9622.
### Supplemental Financial Statements

**Part I**

**Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts**  
(Complete if the organization answered “Yes” to Form 990, Part IV, line 6)

<table>
<thead>
<tr>
<th></th>
<th>(a) Donor Advised Funds</th>
<th>(b) Funds and Other Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total number at end of year</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Contributions to (during year)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Grants from (during year)</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Aggregate value at end of year</td>
<td></td>
</tr>
</tbody>
</table>

5. Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?  
   ☐ Yes ☐ No

6. Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor?  
   ☐ Yes ☐ No

**Part II**

**Conservation Easements**  
(Complete if the organization answered “Yes,” to Form 990, Part IV, line 7)

1. Purpose(s) of conservation easements held by the organization (check all that apply).
   - ☐ Preservation of land for public use (e.g., recreation or pleasure)
   - ☐ Preservation of an historically important land area
   - ☐ Protection of natural habitat
   - ☐ Preservation of certified historic structure
   - ☐ Preservation of open space

2. Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

<table>
<thead>
<tr>
<th></th>
<th>Held at the End of the Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Total number of conservation easements</td>
</tr>
<tr>
<td>b</td>
<td>Total acreage subject to conservation easements</td>
</tr>
<tr>
<td>c</td>
<td>Number of conservation easements on a certified historic structure included in (a)</td>
</tr>
<tr>
<td>d</td>
<td>Number of conservation easements included in (c) acquired after 12/19/07</td>
</tr>
</tbody>
</table>

3. Number of conservation easements modified, transferred, released, or terminated by the organization during the taxable year: _____________

4. Number of states in which the organization held a conservation easement: _____________

5. Does the organization have a written policy regarding the periodic monitoring, inspection, and enforcement of the conservation easements it holds?  
   ☐ Yes ☐ No

6. Staff or volunteer hours devoted to monitoring or enforcing easements during the year: _____________

7. Amount of expenses incurred in monitoring or enforcing easements during the year: _____________

8. Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?  
   ☐ Yes ☐ No

9. In Part XIV, describe how the organization reports conservation easements in its revenue and expense statements, and balance sheet, and include, if applicable, the text of the footnote to the organization’s financial statements that describes the organization’s accounting for conservation easements.

**Part III**

**Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets**  
(Complete if the organization answered “Yes,” to Form 990, Part IV, line 8)

1a. If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

1b. If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide the following amounts relating to these items:

   (i) Revenues included in Form 990, Part VIII, line 1 $________

   (ii) Assets included in Form 990, Part X $________

2. If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items:

   a. Revenues included in Form 990, Part VIII, line 1 $________

   b. Assets included in Form 990, Part X $________

For Paperwork Reduction Act Notice, see the Instructions for Form 990.
Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (Continued)

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply):
   a □ Public exhibition
   b □ Scholarly research
   c □ Preservation for future generations
   d □ Loan or exchange programs
   e □ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? □ Yes □ No

Part IV

Trust, Escrow and Custodial Arrangements (Complete if organization answered "Yes," to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.)

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? □ Yes □ No

b If "Yes," explain why in Part XIV and complete the following table:

<table>
<thead>
<tr>
<th>$ Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Part V

Endowment Funds (Complete if organization answered "Yes," to Form 990, Part IV, line 10)

1a Beginning of year balance

<table>
<thead>
<tr>
<th>(a) Current Year</th>
<th>(b) Prior Year</th>
<th>(c) Two Years Back</th>
<th>(d) Three Years Back</th>
<th>(e) Four Years Back</th>
</tr>
</thead>
</table>

1b Contributions

c Investment earnings or losses

d Grants or scholarships

e Other expenditures for facilities and programs

f Administrative expenses

g End of year balance

2 Provide the estimated percentage of the year end balances held as:

a Board designated or quasi-endowment: ________ %

b Permanent endowment: ________ %

c Term endowment: ________ %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

(i) unrelated organizations

(ii) related organizations

b If "Yes," to 3a (ii), are the related organizations listed as required on Schedule R?

3b

Yes

No

3a(II)

3a(II)

Part VI

Investments—Land, Buildings and Equipment (See Form 990, Part X, line 10)

<table>
<thead>
<tr>
<th>Description of investment</th>
<th>(a) Cost or other basis (Investment)</th>
<th>(b) Cost or other basis (other)</th>
<th>(c) Depreciation</th>
<th>(d) Book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a Land</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1b Buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1c Leasehold improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1d Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1e Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Column (e) TOTAL (should equal Form 990, Part X, line 10)
Schedule D (Form 990) 2007

<table>
<thead>
<tr>
<th>Part VII</th>
<th>Investments—Other Securities (See Form 990, Part X, line 12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column (a)</td>
<td>Description of investment (including name of security)</td>
</tr>
<tr>
<td>Column (b)</td>
<td>Book value</td>
</tr>
<tr>
<td>Column (c)</td>
<td>Method of valuation</td>
</tr>
<tr>
<td>Column (d)</td>
<td>Cost or asset-or-liability market value</td>
</tr>
</tbody>
</table>

Part VIII

<table>
<thead>
<tr>
<th>Investments—Program Related (See Form 990, Part X, line 13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column (a)</td>
</tr>
<tr>
<td>Column (b)</td>
</tr>
<tr>
<td>Column (c)</td>
</tr>
<tr>
<td>Column (d)</td>
</tr>
</tbody>
</table>

Part IX

<table>
<thead>
<tr>
<th>Other Assets (See Form 990, Part X, line 19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column (a)</td>
</tr>
<tr>
<td>Column (b)</td>
</tr>
</tbody>
</table>

Part X

<table>
<thead>
<tr>
<th>Federal Income Taxes (See Form 990, Part X, line 25)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column (a)</td>
</tr>
<tr>
<td>Column (b)</td>
</tr>
</tbody>
</table>

In Part IV, provide the text of the footnote to the organization’s financial statements that reports the organization’s liability for uncertain tax positions under FIN 48.
### Part XI  Reconciliation of Change in Net Assets from Form 990 to Financial Statements

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total revenue (Form 990, Part VIII, line 12, column (A))</td>
</tr>
<tr>
<td>2</td>
<td>Total expenses (Form 990, Part IX, line 25, column (A))</td>
</tr>
<tr>
<td>3</td>
<td>Excess or (deficit) for the year (Form 990, Part VIII) (line 1 minus line 2)</td>
</tr>
<tr>
<td>4</td>
<td>Net unrealized gains (losses) on investments</td>
</tr>
<tr>
<td>5</td>
<td>Donated services and use of facilities</td>
</tr>
<tr>
<td>6</td>
<td>Investment expenses</td>
</tr>
<tr>
<td>7</td>
<td>Prior period adjustments</td>
</tr>
<tr>
<td>8</td>
<td>Other (Describe in Part XIV)</td>
</tr>
<tr>
<td>9</td>
<td>Total adjustments (net) (add lines 4-8)</td>
</tr>
<tr>
<td>10</td>
<td>Excess or (deficit) for the year per financial statements (line 3 plus or minus line 9)</td>
</tr>
</tbody>
</table>

### Part XII  Reconciliation of Revenue Per Audited Financial Statements with Revenue per Return

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total revenue, gains, and other support per audited financial statements</td>
</tr>
<tr>
<td>2</td>
<td>Amounts included on line 1 but not on Form 990, Part VIII, line 12:</td>
</tr>
<tr>
<td>a</td>
<td>Net unrealized gains on investments</td>
</tr>
<tr>
<td>b</td>
<td>Donated services and use of facilities</td>
</tr>
<tr>
<td>c</td>
<td>Recoveries of prior year grants</td>
</tr>
<tr>
<td>d</td>
<td>Other (Describe in Part XIV):</td>
</tr>
<tr>
<td>e</td>
<td>Add lines 2a through 2d</td>
</tr>
<tr>
<td>3</td>
<td>Subtract line 2e from line 1</td>
</tr>
<tr>
<td>4</td>
<td>Amounts included on Form 990, Part VIII, line 12, but not on line 1:</td>
</tr>
<tr>
<td>a</td>
<td>Investment expenses not included on Form 990, Part VIII, line 7b</td>
</tr>
<tr>
<td>b</td>
<td>Other (Describe in Part XIV):</td>
</tr>
<tr>
<td>c</td>
<td>Add lines 4a and 4b</td>
</tr>
<tr>
<td>5</td>
<td>Total Revenue (Part I, line 12). Add lines 3 and 4c</td>
</tr>
</tbody>
</table>

### Part XII  Reconciliation of Expenses Per Audited Financial Statements with Expenses per Return

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total expenses and losses per audited financial statements</td>
</tr>
<tr>
<td>2</td>
<td>Amounts included on line 1 but not on Form 990, Part IX, line 25:</td>
</tr>
<tr>
<td>a</td>
<td>Donated services and use of facilities</td>
</tr>
<tr>
<td>b</td>
<td>Prior year adjustments</td>
</tr>
<tr>
<td>c</td>
<td>Losses reported on Form 990, Part IX, line 25</td>
</tr>
<tr>
<td>d</td>
<td>Other (Describe in Part XIV):</td>
</tr>
<tr>
<td>e</td>
<td>Add lines 2a through 2d</td>
</tr>
<tr>
<td>3</td>
<td>Subtract line 2e from line 1</td>
</tr>
<tr>
<td>4</td>
<td>Amounts included on Form 990, Part IX, line 25, but not on line 1:</td>
</tr>
<tr>
<td>a</td>
<td>Investment expenses not included on Form 990, Part VIII, line 7b</td>
</tr>
<tr>
<td>b</td>
<td>Other (Describe in Part XIV):</td>
</tr>
<tr>
<td>c</td>
<td>Add lines 4a and 4b</td>
</tr>
<tr>
<td>5</td>
<td>Total Expenses (Form 990, Part I, line 18). Add lines 3 and 4c</td>
</tr>
</tbody>
</table>

### Part XIV  Supplemental Information

Complete this part to provide the descriptions required for Part II, line 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b.