



National Governing Body of DanceSport, Member
Organization of the US Olympic Committee, and the
World DanceSport Federation



Bequest and Donation Compliance

Applies to: All bequests and donations to USA Dance.

Purpose: To promote fund raising for USA Dance.

Definitions:

- Charitable contributions – Individuals and organizations who donate to USA Dance may be able to deduct these contributions on federal and state taxes.
- State Charity Requirements – USA Dance applies for recognition as a charity in each state it has chapters where required (some states do not require this process). When state approved, these donations are usually tax deductible in the respective state.
- Bequests are the transfers of wealth that occur upon a donor's death
- Charitable remainder annuity trusts or CRATS. These trusts have fixed distributions each year. The donor may not make additional contributions.
- Charitable remainder unitrusts or CRUTS. These trusts have payouts based on a fixed percentage of the balance of the trust's assets. The balance is revalued every year. Also, the donor may make additional contributions, so the distributions may vary annually.
- Unrestricted funds or donations are those items that have no donor-imposed restrictions
- Temporarily Restricted are those funds or donations that are received with a donor-imposed restriction that will be satisfied in the future (generally within one year). The donor's restriction may be for a particular purpose or program or for use in a specified time period.
- Permanently Restricted are those funds or donations received with a donor-imposed restriction that states that the donation must be maintained permanently but may permit the organization to use up or expend part or all of the income derived from the asset.

Policy:

- It is the policy of USA Dance to comply with restricted donations and bequests. (See addendum for more information on bequests).

Procedures:

1. The first step in establishing a process for requesting donations or bequests is to have a person or persons who are prepared to seek out potential donors or benefactors. Please see the addendum for more information.



National Governing Body of DanceSport, Member
Organization of the US Olympic Committee, and the
World DanceSport Federation



2. A process must be in place to provide timely recognition of donations and bequests. USA Dance has a letter to provide to donors that includes important tax information.
3. All donations and bequests must be documented in annual financial reporting.

Approved By: USA Dance Board of Directions

Effective Date: December 31, 2020

Next Review Date: December 31, 2022

Contact Person or Position: USA Dance Secretary

Resources:

"How Much Unrelated Earned Income May a Nonprofit Receive?" by Joanne Fritz – www.thebalancesmb.com

"Every Nonprofit Can and Should Have a Bequest Program" by Joanne Fritz – www.thebalancesmb.com

"What Is a Non-Profit Business?" by Ausha Jackson – www.study.com

"Nonprofit Organization" by Will Kenton, Reviewed by Janet Berry-Johnson – www.investopedia.com

"Types of Will Bequests" – by Attorney Thomas Devlin Begley III – www.avvo.com

"Asking for Bequests" – Steven L Mourning, FAHP - www.instituteforgiving.org



National Governing Body of DanceSport, Member Organization of the US Olympic Committee, and the World DanceSport Federation



Appendix –Bequests

. Bequests can take several forms such as:

- **Specific bequest** - a certain amount of cash, securities, or property.
- **General bequest** - property that is similar to all other items distributed, usually cash.
- **Percentage bequest** - a stated percentage of the donor's estate.
- **Residual bequest** - all or a portion of what remains of the estate after specific and general bequests are distributed.

Besides an outright bequest, donors can also set up a trust to benefit charitable organizations during or after their lifetime, such as a charitable remainder trust or charitable lead trust.

- A charitable remainder trust (CRT) is another common philanthropic and estate planning tool.
- With the CRT, a donor can transfer assets, such as cash, stocks, property, and artwork, to a trust. Income from the invested assets can generate income for the donor or another named beneficiary for a set amount of time (no more than 20 years). After the end of the term or the death of the donor, what remains in the trust goes to the donor's designated charity or group of charities.
- Setting up a CRT involves donating assets such as cash, securities, or property. The donor receives an immediate partial tax deduction. The amount of the deduction depends on several factors, such as the kind of trust, the term of the trust, projected income, and the IRS determined interest rate.
- The donor or the named beneficiaries then receive income monthly, quarterly, semi-annually, or annually depending on how the trust was set up. The IRS specifies that the annual annuity must be at least 5% of the trust's assets, but no more than 50%

Two Types of Charitable Remainder Trusts

There are several types of charitable remainder trusts, but the most widely used are probably CRATS and CRUTS.

When the donor contributes either to set up a charitable remainder trust initially or to add to it, those contributions are irrevocable. At the end of the trust's term or when the beneficiaries die, the assets remaining in the trust are distributed to one or more designated charities, also known as the charitable remainder beneficiaries.

Benefits and Disadvantages of CRT



National Governing Body of DanceSport, Member
Organization of the US Olympic Committee, and the
World DanceSport Federation



Advantages

- With a CRT, the full value of appreciated assets is preserved through the trust's exemption from taxes when an asset is sold. Consequently, this allows for more income to the non-charitable beneficiary and the charitable beneficiaries ultimately.
- A CRT can be funded with tax-exempt bonds and the donor may continue to receive tax-free income
- The CRT allows more than two income beneficiaries and multiple charitable beneficiaries.

When donating assets to the trust, the donor may be able to take a partial tax deduction based on the estimated final distribution (or remainder) to the charitable beneficiaries.

- A CRT's income from its investments is tax-exempt, benefiting both income and final distribution. However, the non-charitable beneficiary must pay income tax on the income stream received.

Disadvantages

- A CRT is more complicated to set up than a charitable gift annuity.
- A CRT is not suitable if you only have a small amount of money to give. The trust has to have enough assets to generate beneficiary income and still have money left for the charity.
- You transfer responsibility for managing the trust to the charity or the manager for a group of charities. Since you lose control, choose wisely.
- The CRT is irrevocable. Consequently, donors should consult with an estate planner before executing a CRT.

There are three classifications of assets for financial reporting purposes:

It is strongly recommended that organizations that have restricted funds produce their financial reports in columnar format showing the three asset categories. While you are not required to have a columnar report, a one-column statement with all asset classifications combined (unrestricted, temporarily restricted and permanently restricted) will not give a true picture of the organization's finances, and details, either negative or positive, will be buried.



National Governing Body of DanceSport, Member
Organization of the US Olympic Committee, and the
World DanceSport Federation



ASKING FOR BEQUESTS

Even the most sophisticated planned giving programs report that bequests account for approximately seventy percent (70%) of their planned gifts and planned giving dollars. Even if your organization has a small staff and few active board members, you can still ask for and receive planned gifts.

To start a planned giving effort, begin with the planned gift that is the easiest to ask for and deal with. It is the charitable bequest.

A bequest is a very flexible planned gift. Donors can revoke a bequest or change its provisions easily with a codicil or amendment to a trust.

Since a bequest is almost always revocable, it is important to remember that stewardship of bequests involves a continuing and structured relationship. You must maintain an on-going cultivation that must be sustained with the donor to assure you receive the bequest.

Because bequests often become the largest gifts individual donors ever make to charity, there has been quite a bit of research about the process and who make the best probable donors. We find that affluent, better educated donors, who are or have been married and have children, are your best potential bequestors.

But here's what is interesting. Affluence is the least predictive attribute. People with modest estates often leave charitable bequests and should certainly be encouraged and be given the opportunity to do so.

Where to Start?

Before you send that eloquent letter asking for an annual gift, you should make certain two things are in place. Both are based on the presumption that you will receive a gift in response to your letter.

- First, there is a prompt thank-you letter acknowledging and substantiating your receipt of the gift.
- Second, you have a system – usually known as your Donor Information System – that will facilitate gift accounting and acknowledgement.



National Governing Body of DanceSport, Member Organization of the US Olympic Committee, and the World DanceSport Federation



Planned giving even simple bequests, requires important preparation, also. You want to be ready to quickly accept and process requests for information and notices of gifts, whether they're expectancies or matured (when you receive the money).

Once you have in place donor-centered policies and procedures for accepting planned gifts, and a system to respond to established inquiries, it's time to encourage friends and supporters to consider your organization in their estate plans. Repetition and brevity mark good bequest messaging.

That's not to say you won't be using articles in publications and other messaging tactics to get the word out. You will. But, the core effort to encourage bequests is to deliver simple messages when your probable donors are thinking about estate planning.

Most probably, they won't call you to say, "I'm thinking about writing my will, can you tell me how to include a bequest for you?" So, you have to pique their interest when it's top of mind.

To do this, you create a multi-channel, systematic messaging process. It should include most or all of the ideas in this checklist:

- At least once a year, focus a letter to everyone on your mailing list inviting them to consider making a bequest to your organization. The best theme for such a letter is to relate the impact a bequest can have on your programs and those you serve.
- Include an article in every publication produced by your organization about some aspect of a bequest. Think, for instance, about sample wording for a will that has a bequest to your program, or a profile of how a realized bequest is impacting your service to your constituency.
- If a service is the subject of an article in your publication that has benefited from a bequest or other gift support, put a distinctive graphic element in the layout of the article that will attract attention.
- Share anecdotes about bequests made to your organization and how those gifts transformed the donor and those organizations. Or how a bequest could impact your service.

On all pledge and gift/response forms, include two key sentences with checkboxes:



National Governing Body of DanceSport, Member
Organization of the US Olympic Committee, and the
World DanceSport Federation



- () “Please provide me with additional information about making a charitable bequest.”
- () “We have made charitable bequest in my will or living trust to benefit (your organization).”

All gift acknowledgment and substantiation letters should include a postscript. It is generally accepted that postscript actually attracts more attention than a letter’s body copy. Create “standard bequest messages” to use as postscripts. Here are some examples:

- Another way to strengthen our service to this community is a charitable bequest. Please remember us in your will or living trust.
- Many of our most helpful gifts come from the estates of our generous donors. Please consider a bequest to us when you plan your estate.
- Charitable bequests can reduce taxes and help you benefit your family and others through your will or living trust. We’ve learned about these various programs and would love to share our ideas with you. Please call me today about how we might help you.
- The program your wonderful gift will support has recently received a gift through a donor’s will. If you’d like to learn how you can do the same, call me at (XXX) XXX-XXXX.
- We recently received a wonderful gift through a donor’s living trust. It is a magnificent legacy for the donor and for us. The sadness is that we didn’t know it was coming and I didn’t get to say “thank you” as I sincerely want to do. Please let me know if you have a bequest for us in your will. I would like to thank you and tell you how your funds will be used.
- A gift that transforms our organization or one of our programs is a wonderful philanthropic expression. These are often made by donors in their wills or living trusts. Please let us know if you’ve included us in your planning or call me to discuss how you might do this.
- I’m often frustrated when donors make a gift to us that we didn’t know about. I would like to have expressed our deep gratitude. Please let me know while I can still write you with our thanks if



National Governing Body of DanceSport, Member
Organization of the US Olympic Committee, and the
World DanceSport Federation



you've included us in your estate giving.

In fundraising brochures and literature, you produce, include sentences and phrases that stand alone and encourage bequests. Examples are:

- “Remember (your organization) in your will or living trust”;
- “A gift through your will or living trust will continue your support of (your organization) as an important legacy in our community”;
- “Many of our donors use their wills or living trusts to make their most generous gifts, please remember us when you create yours”; and
- “A charitable bequest is an excellent way to create a lasting memorial”

In any material which calls attention to bequests, be certain that a staff member's name, address, e-mail, and telephone number is easy to spot when reading the reference.
Convenience is crucial once any interest is piqued.

Create distinctive recognition devices for bequest donors, such as special nametags, lapel pins, cuff links, or medallions to wear at your events. This can be a part of a formal recognition society for planned gifts or just evidence of very special status in the life of the organization. These devices, along with plaques and certificates become endorsements of your program whenever they're displayed.

Seek the permission of those who have made bequest provisions to tell others – through your publications and your conversations – about their generous intent. This is another form of endorsement of your bequest program and a great secondary way to say *thank you* for their generosity.

Create a “Special Legacy Recognition Area” in a prominent place in your organization. A high traffic area for the public is best. Recognize bequests and other planned gifts, both expected and received. Give donors who advise you of bequests to you a small replica of the plaque you place in this area. Do the same for families of donors whose gifts mature.

NOTE: I have copied and pasted all these materials. This is not to be used verbatim but to be used in context of what it will take to start a Bequest Program.



National Governing Body of DanceSport, Member
Organization of the US Olympic Committee, and the
World DanceSport Federation



Approved By: Board of Directors –December 31, 2020

Effective Date: December 31, 2020

Next Review Date: December 31, 2022

Contact Person: USA Dance Secretary

Resources:

"How Much Unrelated Earned Income May a Nonprofit Receive?" by Joanne Fritz – www.thebalancesmb.com

"Every Nonprofit Can and Should Have a Bequest Program" by Joanne Fritz – www.thebalancesmb.com

"What Is a Non-Profit Business?" by Ausha Jackson – www.study.com

"Nonprofit Organization" by Will Kenton, Reviewed by Janet Berry-Johnson – www.investopedia.com

"Types of Will Bequests" – by Attorney Thomas Devlin Begley III – www.avvo.com

"Asking for Bequests" – Steven L Mourning, FAHP - www.instituteforgiving.org