

# **CREATIVE NON-CASH ASSET DONATIONS**

## **Volume 1, Number 1**

*Charitable Solutions, LLC is a non-cash asset receipt/liquidation, CRT/CGA investment management and charitable gift annuity risk management/reinsurance brokerage firm. We specialize in all areas of planned gift risk management. We work with charities both locally and nationally and speak and publish frequently on planned giving topics. In 2003, we helped create the Dechomai Foundation as a national donor advised fund dedicated to non-cash assets. In 2005, we created LIRMAS (Life-Income Risk Management Analytic Suite), a patent-pending CRT and CGA asset/liability matching process specifically designed to improve life-income investment management.*

### **Unique Ways of Handling Non-Cash Gifts**

*We are pleased to report that our non-cash consulting service has become the primary partner to more than 25 local/national charities. In 2005, we completed over \$20 million in contributions to the Dechomai Foundation, a national donor advised fund dedicated to non-cash assets, and are projecting \$35-40 million in 2006. Our Board is especially pleased that the average fees since inception on the net sales proceeds is now only 1.7%! What follows is a sampling of six recently completed gifts.*

#### **1. Corporation Condo Disposition**

Charitable Challenge: A corporation owned three condos with a low adjusted cost basis. They wished to dispose of the properties and receive a full, fair-market-value deduction. The corporation first considered establishing a private foundation but, when they realized the deduction would be limited to basis, they decided to create a donor advised fund.

Charitable Solution: The Dechomai Foundation completed the due diligence in less than 3 days and accepted the condos in Breckinridge, Lake Tahoe and Hilton Head. Two of the properties have already sold for approximately \$550K each. Thirty days after the sale, 100% of the net sales price (less the 2% Dechomai fee) was granted to create a new corporate donor advised fund.

#### **2. California Apartment Building**

Charitable Challenge: A donor purchased an apartment building more than 20 years ago and was interested in using it to fund a number of charitable interests. Prior to putting the property on the market, his advisors suggested he consider donating the property to a donor advised fund. For risk management reasons, the charity did not want to receive the real estate directly and referred the donor to the Dechomai Foundation.

Charitable Solution: The Dechomai Foundation completed the gift in 10 business days and then quickly sold the property for \$2.4 million. After the fee was held back, the charity received a donor advised fund grant for exactly 98% of the net sales proceeds.

#### **3. Pennsylvania Rental House**

Charitable Challenge: A national non profit based in California received a call from a donor who wished to donate his Pennsylvania rental house. The charity was highly risk averse and wanted to make sure the first real estate gift “went as smoothly as possible.” They were also concerned that the level of due diligence required would take longer than donor would want.

Charitable Solution: The Dechomai Foundation received the property within 5 business days and it is currently on the market for \$170,000. Dechomai will charge their minimum transaction fee of \$10,000 at the time of sale and then will grant the remainder back to the national charity per the donor advised fund policies/procedures.

#### **4. Closely-Held Corporation**

Charitable Challenge: A donor called a national charity to see if they would be able to accept a \$4 million closely-held C stock position within 2 days. Unfortunately, the legally binding agreement was to be executed at that time. The national charity immediately contacted Charitable Solutions to determine if this was possible.

Charitable Solution: We completed our due diligence in 24 hours and then submitted our report to the Dechomai Board of directors via e-mail. They unanimously approved the transaction and we closed the sale 90 days later. After a fee of 1.2%, the remaining 98.8% was granted 30 days after the sale.

#### **5. Real Estate with Light Environmental Issues**

Charitable Challenge: A community foundation was approached by a donor who wished to give them a commercial building worth \$1.2-1.4 million. The gift was to the foundation’s unrestricted fund. During the Phase I, environmental appraisal, some issues arose that made the foundation nervous about accepting the gift without a lot more due diligence. Rather than dragging out the process too long, they called us.

Charitable Solution: We completed the due diligence in a week and arranged a Phase II environmental assessment and listed the property with a top local broker. We expect to sell the property for \$1.4-1.5 million and Dechomai will assess a fee of 2%.

#### **6. LLC with Real Estate**

Charitable Challenge: A national charity had a donor with a \$2 million LLC interest that held real estate. While the underlying asset was expected to sell in another 2-4 months, it had a number of contingencies and a 1-2 year due diligence period. They did not want to manage the property for that period of time and were especially concerned that the property may not sell.

Charitable Solution: The Dechomai Foundation accepted the gift and will manage the sales process for as long as it takes. The fee will be 2% of the net sales proceeds and then a grant will be made to the donor’s advised fund with the national charity.

**This is just a sample of gifts that have been referred to and completed by the Dechomai Foundation in the last few months. In the past, we have completed more than 250 unique**

gifts such as: a quarter horse for \$400K, timber deeds for \$500K, a partial interest in a NFL football team for \$2.4 million, a seat on the New York Mercantile Exchange for \$1.4 million, operating partnership units from an UPREIT exchange for \$2.9 million, and a multitude of real estate, LP, LLC and closely-held C stock gifts. We have been referred a 88 animal collection of stuffed game worth \$300K, a \$5 million euro-denominated bond, a 727 plane for tsunami relief and property in Mexico, New Zealand, Australia and France.

## **THE DECHOMAI FOUNDATION**

The Dechomai Foundation is a 501(c)3 public charity founded in 2003. The clearly defined mission is to help charities manage the risk of non-cash donations so that donors contribute more to charities in the most tax-efficient way possible. The Foundation has a four person independent Board and follows all best practices related to donor advised fund management. The Board must approve all contributions and all grants as the donor only retains advisory but not legal control. Further, the Board has stipulated that Dechomai will be run entirely by fees from services provided. Currently, this fee has averaged 1.7% of total contributions which covers all administrative, operational, accounting, legal, marketing, fundraising and any other expenses. In 2003, the Dechomai Board hired Charitable Solutions, LLC, as its administrative services provider.

### The Process:

1. A charity or advisor refers a non-cash donation to Dechomai.
2. We complete all due diligence and open a donor advised fund for the donor.
3. The Dechomai foundation receives the gift, provides all the tax reporting and manages it until the sale.
4. Thirty days after the sale, the donor must recommend a grant all the net proceeds – less a 1-3% charitable fee, to a public charity.

For more information on Dechomai, please visit [www.dechomai.org](http://www.dechomai.org).

For further information please visit our website at <http://www.charitablesolutionsllc.com> or call (404) 375-5496.

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