

FRIENDS FIDUCIARY CORPORATION  
1650 Arch Street, Suite 1904, Philadelphia, PA 19103 ~ 215-241-7272

**GIFT ANNUITY DISCLOSURE STATEMENT**

Thank you for your interest in a charitable gift annuity with Friends Fiduciary Corporation. A charitable gift annuity is a simple irrevocable contract between the donor(s) and Friends Fiduciary Corporation (hereinafter "FFC"). In exchange for the donor's(s) contribution, FFC promises to make fixed, guaranteed payments for life to one or two annuitants (usually, but not necessarily, the donor(s)). The amount paid is based on the age(s) of the annuitant(s), in accordance with FFC's rate schedule. The personalized gift annuity agreement will contain the amount of the guaranteed payments that will be made to the named annuitants for life.

**Not a Commercial Investment**

Charitable Gift Annuity rates are not comparable to the rates of commercial annuities offered by insurance companies or other financial institutions because of the substantial charitable contribution component. Therefore, the act of establishing a gift annuity with FFC is not, and should not be viewed as, an investment. Rather, it is a way to receive annuity payments while making a charitable donation. In this respect and others, a gift annuity issued by FFC is different from a commercial annuity.

**Tax Effects**

The fact that you are making a charitable gift may provide you with tax benefits, including a current federal income tax charitable deduction (if you itemize your deductions) for the amount by which the value of the gift exceeds the investment in the annuity contract. The annuity payments, which are partially tax-free, will be made quarterly, semiannually, or annually as provided in the gift annuity agreement. Following the end of each year, the annuitant will receive information regarding the tax treatment of the annual payments for use in preparing the annuitants' federal and state income tax returns. The donor may also be entitled to estate or gift tax charitable deductions as a result of the charitable gift. Each donor and annuitant should consult his or her own legal and tax advisor to determine how entering into a Charitable Gift Annuity will affect his or her individual tax situation.

**Gift Annuity Rates**

The gift annuity rates paid by FFC are those suggested by the American Council on Gift Annuities, which is a national non-profit organization of charities that has been in existence since 1927. These rates take into account the value of the initial gift, the number of annuitants, the age of the annuitants, and the expected return on the original gift amount less the annuity payments assuming that the amount is invested in a conservative manner. The annuity rates are calculated such that approximately half of the original gift will remain at the end of the annuitants' lives for the charitable beneficiary.

### **Assets Backing Annuity Payments**

Friends Fiduciary Corporation is a Pennsylvania not-for-profit corporation, serving Friends Organizations. The annuity payments are a general obligation of our organization, and they are backed by all of our assets. At December 31, 2009, our total assets exceeded \$9.9 million of which \$8.6 million is restricted by the donor<sup>1</sup>. These funds are invested in stocks, mutual funds, and federal obligations. When a donor enters into a gift annuity agreement with FFC, the gift is added to the gift annuity investment pool that is invested in accordance with the laws of the states in which we offer gift annuities. As of December 31, 2009 the gift annuity investment pool was valued at more than \$8.5 million<sup>1</sup>. The Board of Directors oversees the investment of the gift annuity funds and is responsible for engaging the investment advisors who manage the gift annuity fund's portfolio of equities and fixed income investments. All investments are screened to meet FFC's socially responsible investment (SRI) guidelines. Investment and administrative fees are assessed on the assets of the gift annuity investment and not from the annual payment to the donor(s). With the death of the last annuitant/income beneficiary, each charitable gift annuity contract is assessed a 10% termination fee prior to paying out the remainder to the charitable beneficiary. The termination fee is retained by FFC for future payment liabilities of the Charitable Gift Annuity program.

*Friends Fiduciary Corporation's promise to pay the annuity described in this Agreement is not insurance under the laws of Pennsylvania, is not subject to regulation by the Pennsylvania Insurance Department and is not protected by the Pennsylvania Life and Health Insurance Guaranty Association under Article XVII of the Act of May 17, 1921 (P. L. 682, No. 284), known as the Insurance Company Law of 1921, or other protective device. Also, we advise all prospective donors that the California Insurance Guaranty Association does not back up payments of annuities.*

### **FFC Information**

Friends Fiduciary Corporation was established in April 1975. Responsibility for governing the organization is vested in the Board of Directors comprising 27 persons, who are selected by a nominating committee of volunteers. Common investment funds managed by our organization are exempt from registration requirements of the federal securities laws, pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995 (P.L. 104-62). Information in this statement is provided to you in accordance with the requirements of that Act.

We would be pleased to provide any additional information at your request.

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<sup>1</sup> Audited by Briggs, Bunting & Dougherty, LLP, an independent public accounting firm.