

# GIFT ANNUITY DISCLOSURE STATEMENT FOR THE ORCHARD FOUNDATION

## Description of a Gift Annuity

A gift annuity is a simple contract between the donor(s) and The Orchard Foundation ("Orchard"). Orchard is a supporting organization formed for the primary purpose of supporting the activities of The Christian and Missionary Alliance (C&MA), its affiliates and other publicly supported organizations which are closely related in purpose or function to the C&MA. Orchard has reserved the right to assign the gift annuity to the C&MA. In exchange for the contribution by the donor(s), Orchard promises to make fixed payments for life to one or two annuitants. These payments are usually, but not necessarily, to the donor(s). The amount paid is based on the age of the annuitant(s), in accordance with Orchard's gift annuity rates.

## Not a Commercial Investment

The act of establishing a gift annuity with Orchard 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, a gift annuity issued by Orchard is different from a commercial annuity. However, 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), annuity payments which are partially tax-free, possible capital gains avoidance, and potential for future estate tax savings.

## Gift Annuity Rates

Generally, the gift annuity rates paid by Orchard are those suggested by the American Council on Gift Annuities, which is a national organization of charities that has been in existence since 1927. These rates have been calculated so as to provide attractive payments to the donor and/or other annuitant(s) and also to result in a large portion of the contribution remaining for the charity. Because a charitable gift is involved, the rates are lower than those available through commercial annuities offered by insurance companies and other financial institutions.

## Assets Backing Annuity

The annuity payments are a general obligation of Orchard, and are backed by available assets (subject to security interests). On June 30, 2017 total invested funds (including security interests) exceeded \$70,561,000 and they are invested in corporate and government bonds, equities, exchange traded funds, mutual funds, savings accounts, cash, and alternative investments. The invested funds include a gift annuity reserve fund valued at more than \$12,105,000 that is invested in accordance with the laws of the states in which we offer gift annuities. Assets received by Orchard for gift annuities are managed internally, in a conservative and disciplined manner. If Orchard should ever fail financially, individuals entitled to receive annuities will qualify as general creditors of Orchard. **Additional financial information, including the most current audited and interim financial statements, are available upon request.**

## Governance

Responsibility for governing Orchard, which was established in Colorado in 1998, is vested in a Board of Stewards, who are nominated by the current Board and approved by The Christian and Missionary Alliance. Common investment funds managed by Orchard 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 letter is provided to you in accordance with the requirements of that Act.

## Charitable Gift Annuity Reinsurance

Orchard reserves the right to partially or fully reinsure any annuity at its discretion. Charitable Gift Annuity Reinsurance is a financing and risk management technique that allows Orchard to reduce uncertainty by transferring the investment and longevity risk away from Orchard to the life insurance company on certain annuities. Through reinsurance Orchard may purchase an asset to back the contractual life income payments owed to the donor of the Charitable Gift Annuity. This does not change the payments to the donor in any way.

## Fees and Charges

- Orchard charges an annual fee to cover the reasonable costs of administering the gift annuity from year to year. This fee is deducted each year from the value of the gift annuity and does not impact your annuity payments.
- A separate fee is assessed at final distribution to the beneficiaries to cover the cost of terminating the gift annuity.
- A charge is also assessed at final distribution to help maintain sufficient reserves to meet state requirements.
- All fees and charges are subject to change.

## Points to Remember

- A contribution for a gift annuity is irrevocable. The principal that is contributed cannot be returned to you. Upon termination of the gift annuity, the value remaining after fees and charges will be distributed to the purpose designated in the annuity agreement.
- The right to annuity payments may not be assigned to any person or organization other than Orchard.
- The gift date is the date when you actually transfer assets. In the case of cash, it is the date you mail or deliver a check. In the case of an electronic transfer of securities, it is the date they are received into the account of Orchard. If you have certificates, it is the date they are properly endorsed and mailed or delivered.
- The gift annuity is governed by applicable state laws.

## For Arizona Residents

- A charitable gift annuity is not insurance under the laws of Arizona, is not subject to regulation by the Director of Insurance, and is not protected by any state guaranty fund.
- The State of Arizona and the Department of Insurance have neither approved nor disapproved of the gift annuity being offered, nor have they reviewed the information provided to determine its accuracy or completeness.

## For More Information

This disclosure statement is intended to provide basic information regarding the gift annuities issued by Orchard. If you have additional questions concerning Orchard's gift annuity program, please contact Timothy W. Cummings, Vice President/ COO/ CFO.

Address: The Orchard Foundation  
8595 Explorer Drive  
Colorado Springs, CO 80920



Toll-free phone number:  
(888) 689-6300