



# General Information about the P.E.O. Foundation

## Tax Exempt and Charitable Status

The P.E.O. Foundation provides a convenient way to make tax deductible gifts from individuals to the P.E.O. educational projects and to funds held by the P.E.O. Foundation. The P.E.O. Foundation offers services for administering funds established by individuals, local chapters or state/provincial/district chapters while allowing the donor to direct proceeds of the fund to further the mission of P.E.O. These funds are professionally managed and diversified, offering growth in principal.

It is important to understand the tax status of the various parts of the P.E.O. organization. All local, state, provincial or district chapters are subordinate units of International Chapter P.E.O. Sisterhood. This corporate entity qualifies as a nonprofit, tax-exempt organization under Section 501(c)(4) of the U.S. tax code, meaning no chapter has to pay federal or state income tax. International chapter and its subordinate units of state, district and local chapters **do not qualify** as “charitable” as they are not classified 501(c)(3) by the IRS. Therefore, donations or bequests to a local, state or district chapter **do not qualify** as charitable income tax deductions.

The P.E.O. Foundation, Cottey College, P.E.O. Educational Loan Fund, P.E.O. International Peace Scholarship Fund, P.E.O. Program for Continuing Education, P.E.O. Scholar Awards, and P.E.O. STAR Scholarship (and some state or district chapter charitable funds) **do qualify** as “charitable” as they are classified 501(c)(3) by the IRS. This means that donations to the P.E.O. educational projects or the P.E.O. Foundation from individuals and bequests from estates **do qualify** as charitable tax deductions.

**Note:** Contributions from Canadian residents qualify for a charitable deduction against U.S. based income only.

## Gifts and Bequests

Gifts and bequests from individuals to the P.E.O. educational projects or P.E.O. Foundation are greatly appreciated. For further information, please review the *Annual and Planned Giving Options* brochure and *Information for Wills* document, both available on the P.E.O. website ([www.peointernational.org](http://www.peointernational.org)); or contact the P.E.O. Foundation Trustees or the P.E.O. Foundation office.

If a local chapter receives a gift, bequest or devise, please refer to the P.E.O. Constitution, Part III, Article VIII, Section 5. When notified of a gift, bequest or devise, chapters are encouraged to contact the P.E.O. Foundation office for additional information and instructions. Chapters are strongly discouraged from holding large sums of money as this may impact the IRS nonprofit status and have ramifications for the entire Sisterhood.

Local chapters are prohibited from forming, administering or affiliating with a trust, other foundation or legal entity. (P.E.O. Constitution, Part III, Article XV, Section 1 and Standing Rules of P.E.O. Sisterhood, Rule 1)

## Funds in the P.E.O. Foundation

Currently, over 1,600 funds are administered by the P.E.O. Foundation. These funds are invested on a pooled basis; total income and operating expenses are allocated on a pro rata basis among all funds held. The largest expenses are for investment management fees. However, expense allocations continue to average less than 1% of a fund balance. The accounting, record keeping, investment and disbursement of such funds are all handled through the P.E.O. Executive Office in Des Moines, Iowa. A separate ledger account is established for each fund held in the P.E.O. Foundation. Each fund’s share of income and expense, investment gains and losses are

recorded here, as well as additional deposits and disbursements. Net income is disbursed by the P.E.O. Foundation for individual scholarships, as transfers or as distributions of undesignated funds to the P.E.O. educational projects.

Individuals or chapters may establish a fund in the P.E.O. Foundation with a US \$1,000 initial deposit toward a required minimum permanent balance of US \$5,000 which must be reached within five (5) years. After a fund reaches the US \$5,000 minimum, amounts above the minimum may be awarded in compliance with the **Statement of Operation**. This document determines how the fund will operate. A fund that is not fully funded with the requisite US \$5,000 minimum balance five (5) years from the date it is established shall be terminated and the balance shall be distributed as part of the undesignated funds of the P.E.O. Foundation. All gifts or donations become part of the P.E.O. Foundation and must be used for P.E.O. educational or charitable purposes. Due to IRS tax regulations, once funds are in the P.E.O. Foundation they cannot be returned to the individual donor or to the local, state or district chapter from which they were received. The types of funds administered by the P.E.O. Foundation are:

#### **Transfer Funds to P.E.O. Educational Project(s):**

Donors may establish a fund with the income automatically transferred each November or accumulated until sufficient to pay awards as stipulated in the **Statement of Operation**. An **Annual Activity Statement** will be sent each year showing the amount of funds available for transfer. Transfers are to be made to one or more of the qualified educational and charitable projects of P.E.O. If transfers are to be divided between two or more of the P.E.O. educational projects, that division must be equal.

#### **Undesignated Funds:**

Funds may be established for the benefit of the P.E.O. educational projects without the donor having to determine the exact distribution of income. Donors may leave that decision to the P.E.O. Foundation Board of Trustees. The income is distributed annually based upon research by the P.E.O. Foundation Board of Trustees into current needs of the P.E.O. educational projects. In order to establish a fund under this option, the donor must allow the income to be distributed to any of the P.E.O. educational projects.

#### **Cottery College Scholarships:**

Funds may be established for payment of Cottery College scholarships. Scholarships will be paid directly to Cottery College for a student who has been chosen by your scholarship committee. An **Annual Activity Statement** will be sent each year showing the amount of funds available for scholarship payout. Amounts over US \$4,000 will be paid in two (2) installments. Scholarships of US \$4,000 or less are paid in a single payment.

#### **General Scholarship Funds:**

Funds may be established for payment of scholarships. For a scholarship fund, there must be a selection committee responsible for selecting a recipient. The members of the selection committee must be members of the local chapter or state/provincial/district chapter establishing the fund. In order to comply with P.E.O. Foundation requirements and IRS regulations, selection of recipients must be in accordance with established guidelines provided by the P.E.O. Foundation. Scholarships may be paid to the recipient or to her account at the school in which she is enrolled. Recipient must be a citizen or legal permanent resident of the U.S. or Canada and must be able to provide proof of such if requested. Recipient must be enrolled in an accredited post-secondary school in the U.S. or Canada. Study abroad is permitted, provided the student is enrolled in a U.S. or Canadian institution. No scholarship fund shall be established whereby the income is transferred to a school or other foundation for their selection of recipients. An **Annual Activity Statement** will be sent each year showing the amount of funds available for scholarship payout. Amounts over US \$4,000 will be paid in two(2) installments. Scholarships of US \$4,000 or less are paid in a single payment. **An applicant related to a current member of the scholarship selection committee is NOT eligible for an award.**

Further information may be obtained from the P.E.O. website ([www.peointernational.org](http://www.peointernational.org)), from a trustee of the P.E.O. Foundation or the P.E.O. Foundation office.

**A gift to the P.E.O. Foundation – regardless of its size or nature – will help ensure  
the continuance of the P.E.O. mission.**