

STATE OF MICHIGAN

DEPARTMENT OF ATTORNEY GENERAL

**CHARITABLE TRUSTS
RULES AND REGULATIONS**

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STATE CAPITOL

LANSING, MICHIGAN 48902

One of the most important responsibilities given to the Attorney General by the people of this State concerns charitable trusts. Under Act 101 of the Public Acts of 1961, as amended, the Supervision of Trustees for Charitable Purposes Act, the Attorney General is directed to represent the people of this State with respect to charitable trusts.

This pamphlet contains the new revised rules and regulations which we have adopted pursuant to said Act 101. Concurrent with the adoption of these rules and regulations, we are revising our charitable trust registration statement and issuing a standardized reporting form.

It will not be necessary for trusts previously registered to re-register. Any future registrations, however, will be required to be made on the revised registration statement. As in the past, we will continue to accept either a court accounting or an Internal Revenue report as compliance with the periodic reporting requirements of said Act 101, provided these accountings and reports give us the information we are required to receive under the act. Thus, the new accounting form need only be filed by those charitable trusts which do not file a court accounting or Internal Revenue reports.

It should also be noted that the new annual report includes a section for organizations which perform charitable functions other than the mere acceptance of donations and disbursement of same to other organizations and/or individuals. This section must

be completed by all trustees falling in that category regardless of whether or not they file reports with a court or the Internal Revenue Service.

Any of the forms mentioned above or copies of the Act may be obtained by writing me at my office, Capitol Building, Lansing, Michigan.

FRANK J. KELLEY
Attorney General

Department of the Attorney General
Charitable Trusts
Rules and Regulations

(By authority conferred on the department of the attorney general by sections 6, 7 and 10 of Act No. 101 of the Public Acts of 1961, as amended, and section 52 of Act No. 380 of the Public Acts of 1965, being sections 14.256, 14.257, 14.260 and 16.152 of the Compiled Laws of 1948.)

R 14.11. Enforcement of rules.

Rule 1. These rules shall be enforced by the attorney general and his representatives to protect the interests of the people of this state in the administration, operation and disposition of the assets of all charitable trusts in this state.

R 14.12. Registration statements.

Rule 2. A trustee subject to Act No. 101 of the Public Acts of 1961, as amended, within 2 months after receiving possession or control of property for charitable purposes, shall file with the attorney general a registration statement on a form which shall be supplied by the attorney general on request. Such trustee shall also file with the attorney general a copy of the instrument and an inventory of the assets of the charitable trust.

R 14.13. Annual reports.

Rule 3. (1) A trustee of a charitable trust subject to Act No. 101 of the Public Acts of 1961, as amended, which solicits money from the public, within 6 months after the close of its fiscal year, shall file with the attorney general a copy of its certified audit

report for such year, containing a balance sheet, a statement of receipts and disbursements, and a list of assets including securities held. In lieu of a certified audit report, such a trustee may file its sworn statement setting forth such information in accordance with the form prescribed by the attorney general.

(2) A trustee, except a trustee of a charitable trust which solicits money from the public, subject to Act No. 101 of the Public Acts of 1961, as amended, shall file with the attorney general annual periodic written reports, in accordance with the form prescribed by the attorney general. A copy of the account filed in any court having jurisdiction of the charitable trust, if the account is substantially the same as such form, may be filed as an annual periodic report.

(3) The first annual periodic report of a charitable trust shall cover the first calendar or fiscal year ending after the trust became subject to such act. The first annual periodic report shall be due on or before the expiration of 6 months after the close of the first calendar year or fiscal year after the trust became subject to the act. Thereafter, subsequent annual periodic reports shall be due on or before the expiration of 6 months after the close of the charitable trust calendar or fiscal year.

(4) A charitable trust required to file annual periodic written reports with the attorney general may file in lieu thereof an audit certified as being true and correct and in accordance with generally accepted accounting principles by a certified public accountant and containing substantially the information required on the annual periodic report form of the attorney general.

(5) A statement indicating whether or not a creator of the trust or a contributor to the trust or a trustee, in his individual capacity, or a person related either by consanguinity or by affinity to such creator, contributor or trustee, has entered into any transaction involving the purchase, sale, transfer or loan of any of the trust's assets, shall accompany the annual periodic report.

(6) Complete details regarding all transactions in which a trustee, employees of a trustee, or persons related to a trustee, or related to employees of a trustee, either by consanguinity or by affinity, have personally benefited from operating and management of the trust or received any part of the income or corpus of the trust, other than the normal and reasonable trustee fee, shall be disclosed in a statement accompanying the report.

R 14.14. Suspension of annual reports.

Rule 4. A trustee of a charitable trust may be granted a suspension from the requirement of filing annual periodic reports on written application supported by good and sufficient reasons. If a suspension is granted, reports may be required on the happening of specified events or contingencies or at stipulated future report dates. Ordinarily a suspension will not be granted when reports on the operation of the charitable trust are required to be made to a court or to other governmental agencies.

R 14.15. Investigations.

Rule 5. Either the attorney general or an assistant attorney general designated by the attorney general may hear information under oath and receive books, memoranda, papers, documents of title and evidence of

assets, liabilities, receipts or disbursements produced pursuant to an order of the attorney general issued by the attorney general as provided by the act.

Rule 14.16. Inspection of records.

Rule 6. The charitable trust register, copies of instruments and the reports filed with the attorney general shall be available for inspection during regular business hours at the charitable trust division of the office of the attorney general in Lansing, Michigan, subject to the following requirements:

(a) An individual desiring to inspect the register, copies of instruments and the reports filed with the attorney general shall submit a request in writing setting forth his name, address and indicating his interest in the charitable trust records desired to be reviewed. If such request is approved by the attorney general, the authorized review of the register, copies of instruments and reports filed with the attorney general shall be made in the presence of the attorney general or his representative.

(b) If the charitable trust is to be used for both private and charitable purposes, only those portions of the documents pertaining to charitable purposes, and only if such charitable purposes have matured and come into being, shall be available for public inspection.

R 14.17. Repeal.

Rule 7. Sections 1 to 5 of the rules relating to charitable trusts, being R 14.1 to R 14.5 of the Michigan administrative code, and appearing on pages 2757 of the 1963 annual supplement to the code, are repealed.