



JUNE, 1990

UPDATE

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.

115 PARK AVENUE • POST OFFICE BOX 1146 • OKLAHOMA CITY, OKLAHOMA 73101-1146 • (405)235-5603

Allocation Policy Announced By Trustees

A new allocations policy for Designated Funds was announced by the Trustees of the Oklahoma City Community Foundation following their February 27, 1990 meeting. The new method of allocating income, expense, and capital gains will provide an increased total return to the Designated Funds as well as fairly distributing expenses and earnings.

While the policy statement addresses all types of funds at the Community Foundation, there are three specific areas where Designated Funds will be affected:

1. **Earnings Distribution.** Each year, each Designated Fund will receive a distribution of its proportionate share of the net income earned by the total investment funds of the Community Foundation. The amount is net of bank fees and an administrative charge.

2. **Administrative Expenses.** An administrative charge of 1/10 of 1 percent of the average monthly market value of the fund will be charged to each Designated Fund. On a fund of \$25,000 this charge will be an annual charge of \$25.

3. **Capital Gains.** Any realized capital gains in the total investment funds of the Community Foundation will be allocated to each Designated Fund in the same way that

earnings are allocated. Capital gains will not be available for distribution; however, they will provide for internal growth of Designated Funds. By allocating these gains to each Designated Fund, they will benefit by the ability of the Community Foundation to invest in areas that generate more appreciation than income. A necessary aspect of this allocation is that capital losses must also be distributed if they occur.

As part of this new allocations plan, approximately \$580,000 of previously unallocated capital gains will be added to the value of the Designated Fund as of July 1, 1989. This will mean the immediate addition to the principal value of Designated Funds of 4.7 percent of their balance on July 1, 1989. A fund valued at \$25,000 on July 1, 1989 would increase to \$26,175.

"These changes certainly give a great incentive to non-profit organizations to utilize the Designated Fund for their endowments," said James R. Tolbert, III, President of the Community Foundation Board of Trustees. With the allocation of previous years capital gains and the income distribution made in September, 1989, the total return to Designated Fund organizations for Fiscal Year 1989 was 12.7 percent.



Designated Fund earnings are automatically sent to agencies each year.



Designated Fund Policies

Any tax-exempt educational or charitable agency serving the Oklahoma City community may, after approval of the Trustees of the Community Foundation, establish a Designated Fund at the Community Foundation with an initial contribution of \$5,000. The Fund may be established with contributions from the agency, individuals, other foundations, or donors interested in the agency. Additions may be made to the fund in any amount. All assets contributed to the Oklahoma City Community Foundation are legally assets of the foundation and not those of any agency that they may benefit.

A Designated Endowment Fund

for a charitable organization holds all of contributions which have been made to the Community Foundation and designated by the Donor to benefit a specific charity. Currently, the Community Foundation operates 200 Designated Funds for a wide variety of non-profit organizations in Oklahoma City.

The Community Foundation is able to handle gifts of non-cash assets for an organization through a Designated Fund. Donors can also contribute to a Designated Fund agency through a Pooled Income contribution or a bequest.

Earnings from the Designated Fund contributions are paid directly to the charity once each year. The distributions are based on the Designated Funds proportionate share of the income of the Community Foundation. Additionally, each Fund receives its proportionate share of capital gains realized by the investment. These are not paid out but added to the fund balance to provide growth.

Initial contributions of \$5,000 are required to begin a Fund. Organizations interested in having a Designated Fund should contact the Community Foundation office.

All contributions are subject to the maximum tax-benefit for the contributor since the Community Foundation is a qualified 501(c)(3) public charity. Contributions may be in the form of cash, securities, real estate, oil properties, or other marketable assets. Contributions which are in the form of non-producing assets, such as non-producing mineral interests, real estate with no income, or non-marketable securities with no yield, are held in the General Fund until they can be converted into income-producing assets.

All contributions to the Community Foundation are placed in the trust of one of four banks or trust companies located in Oklahoma City. All investments in the Designated Funds are pooled for the purposes of determining earnings, and no assets are segregated for the benefit of any agency. The determination of the bank is made by the donor.

Distributions of net earnings are made once each year, in September following the annual audit of the Community Foundation. The net earnings include all interest, dividends, rent, and royalty payments less a proportionate share of the trust investment fees and an administrative charge of 0.1 percent of the market value of the fund at the beginning of the year. Capital gains and losses and changes in market value are not considered as earnings and are not distributable. Funds' proportionate share of realized capital gains or losses is allocated to the Fund on an annual basis and the market value of the fund is determined as of the end of the fiscal year.

The Community Foundation's purpose in providing the Designated Fund program is to help non-profit agencies attract and manage endowment fund support. If an endowment fund is to provide for the future income of an organization, it must be protected for that purpose. In accepting a contribution, the Trustees of the Community Foundation insure that the donor's gift will always provide a source of income to support the work of the agency in the community.

The Community Foundation does not do fund-raising for the benefit of any Designated Fund. However, it encourages agencies to solicit contributions for their Designated Funds, and will provide assistance to any donor considering a gift to the Community Foundation for the benefit of any agency.

OKLAHOMA CITY COMMUNITY FOUNDATION

115 Park Avenue • Oklahoma City, OK 73102 • P.O. Box 1146 • Oklahoma City, OK 73101-1146 • (405) 235-5603 • Fax (405) 235-5612

The Oklahoma City Community Foundation is a tax-exempt pool of charitable funds and trusts, committed to providing endowment income and grants to other non-profit entities. It is a vehicle for accomplishing charitable goals, a vehicle which is evolving to accommodate a variety of different donor needs.

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GUIDELINES AND PROCEDURES FOR GRANTS FROM THE OKLAHOMA CITY COMMUNITY FOUNDATION

The Trustees of the Oklahoma City Community Foundation may make grants from the Fund for Oklahoma City and other restricted funds of the Community Foundation to non-profit organizations in the Oklahoma City area. The Community Foundation has an extensive program of general operating support for organizations which is funded through its Designated Fund Endowment program. Grants from the Fund for Oklahoma City and other restricted funds are utilized by the Trustees of the Community Foundation to meet community needs beyond the normal operational costs of an organization. Grant requests should be for purposes that can be identified apart from the basic annual operating needs of the organization.

Any non-profit organization located within the Greater Oklahoma City area is invited to submit a grant proposal for a project or service that provides services primarily to citizens of the Greater Oklahoma City area. The grant proposal should be in writing and should include the following elements:

1. A descriptive letter, not to exceed three pages, that addresses the following points (5 copies):
 - a. a description of the sponsoring organization(s) and a brief history of its service within the community,
 - b. a description of the specific project for which funding is sought, including a rationale of community need for the project as well as how it fits into the services provided by the sponsoring organizations,
 - c. a description of the impact that the project will have on the Oklahoma City community including the size of specific groups that will receive direct benefit,
 - d. cost and budget descriptions for the specific project. Include details on all funds to be expended and sources of funds other than the Community Foundation. If applicable, include plans for funding in future years,
 - e. Plan for evaluating the impact or success of the project.
2. The most recent year-end financial statements for the sponsoring organization, audited if available (1 copy).
3. A list of the current officers and members of the board of directors of the organization (1 copy).
4. A copy of the letter of determination from the Internal Revenue Service which states the organization's status as a 501(c)(3) public charity (1 copy).

The Community Foundation has broad guidelines for grants and does not limit its contributions to any particular type of request. The following policies should be observed.

1. Grants will be made to qualified non-profit public charities or entities of government. No grants will be made to individuals.
2. Grants will be limited to organizations primarily serving the Greater Oklahoma City area and to programs which directly benefit persons living in the Greater Oklahoma City area.
3. Grants are generally made for only one year and multiple-year pledges are not considered, except in the case of special Community Foundation Grant Programs.
4. All grant requests will be considered based on the needs of the community and the ability of the organization to meet those needs. The Grants Committee seeks to be fair and objective in its consideration of all requests. All communication concerning grant proposals should come through the Community Foundation office.

The following characteristics are viewed positively by the Community Foundation in its consideration of a grant request:

- programs and activities that are oriented toward the entire population of the community,
- cooperative programs involving the resources and participation of several organizations,
- activities which involve a strong component of volunteer activity,
- active participation of the agency's board of directors and a broad base of support from individuals in the community.



The Community Foundation considers grant requests twice each year. The deadlines for submission of the requests are January 31 and July 31. All needed materials need to be in the Community Foundation office by the appropriate deadline. Organizations considering submitting a grant proposal are urged to contact the Community Foundation office to discuss the proposal. Such a meeting provides a useful exchange of information.

Send grant information to:

Attention: Grants Committee
OKLAHOMA CITY COMMUNITY FOUNDATION
P.O. Box 1146
Oklahoma City, OK 73101-1146

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Questions Asked About Designated Funds

WHAT IS A DESIGNATED ENDOWMENT FUND AT THE OKLAHOMA CITY COMMUNITY FOUNDATION? A Designated Endowment Fund is a way for non-profit organizations to accumulate contributions from several donors into a single endowment-type fund. The Community Foundation accounts for the funds and provides for professional investment of the funds. The earnings from the Designated Endowment Fund are distributed to the organization each year.

WHAT IS THE MINIMUM AMOUNT NEEDED TO START A FUND AND WHO CAN CONTRIBUTE?

A fund can be started with an initial contribution of \$5,000. The initial amount can come from one donor, several donors, or even the agency itself. Additions can be made in any amount. Designated Funds have been started at the Community Foundation by single individual gifts, by several donors contributing together, by corporations, by other foundations, and by the organization from its own funds.

WHY WOULD AN ORGANIZATION WANT TO HAVE A DESIGNATED ENDOWMENT FUND?

The Designated Endowment Fund is the simplest way available for an organization to begin and develop an endowment fund. Even for organizations that have existing endowments, the Community Foundation can oversee the investment of these funds, can work with donors making contributions of non-cash assets such as securities or real estate, and can insure that the contributions will always be available to provide income for the organization. Many donors have worked with the Community Foundation over the years and have confidence that their contributions will be properly managed. The Community Foundation has assets of more than \$44 million and is able to accommodate the specific needs and requests of donors that individual agencies are not equipped to handle.

WHEN ARE THE EARNINGS DISTRIBUTED?

Once each year, usually in September, the earnings from the Designated Endowment Funds are distributed to the agencies. The agencies do not have to apply for these distributions. The earnings for any one Designated

Endowment Fund are based on that Fund's proportionate share of the total net income of the Community Foundation. The distribution of earnings in September, 1989 was \$1,040,000 and went to 200 Designated Endowment Fund agencies.

HOW ARE THE FUNDS INVESTED?

The Community Foundation uses the Trust Departments of four local banks to invest its assets. Because of its size, the Community Foundation is able to get professional management of its assets for the lowest possible fee. The portfolio of investments is diversified to achieve stable income and security of principal.

WHAT AGENCIES CAN HAVE A DESIGNATED ENDOWMENT FUND?

Any tax-exempt educational or charitable agency serving the Oklahoma City community may, after approval of the Trustees of the Community Foundation, establish a Designated Endowment Fund. The organization must be a 501(c)(3) public charity or an agency of government that is eligible to receive contributions. Each year the organization must send a copy of its year-end financial reports and a list of its current officers and board members to the Community Foundation. The Community Foundation currently has 200 Designated Endowment Funds ranging in size from \$5,000 to over \$1,000,000.

HOW CAN AN ORGANIZATION START A DESIGNATED ENDOWMENT FUND?

The organization needs to write a letter of request to the Community Foundation stating that they would like to participate in the Designated Endowment Fund program. The letter should state that the organization understands that the purpose of the fund is to provide future income for the organization and that the Trustees of the Community Foundation will safeguard the principal of the fund for that purpose. The organization should send a copy of its IRS Tax Determination letter, its most recent year-end financials, and a list of its current officers and board members. The Fund is started after approval by the Community Foundation Trustees, and receipt of the initial contributions.

Pooled Income Fund Makes Planned Giving Easy

Because of the new Oklahoma City Community Foundation Pooled Income Fund, almost any charity and any donor can participate in a planned giving program.

Planned giving used to be the domain of large charitable organizations and donors whose contributions were sizable enough to justify the separate trust vehicles usually required. A Pooled Income Fund is a master trust that pools the gifts of many donors for investment purposes and thus allows donors of amounts as small as \$15,000 to receive the benefits of a planned giving program. Charities do not have to have sophisticated development officers because of the simplicity of the pooled income concept and operation.

The most common type of planned gift occurs when a donor makes a charitable contribution to an organization yet retains a lifetime income interest for either himself or another income beneficiary. The donor receives a charitable deduction for a portion of the gift in the current year, avoids capital gains tax on any appreciated property used for the contribution, and retains the income generated by the assets for life.

Such a gift needs to be made to a qualified charitable trust. The Oklahoma City Community Foundation Pooled Income Fund is such a qualified trust. The benefit to the charity is that the principal amount of the Pooled Income Gift is added to an organization's Designated Fund after the death of the donor or income beneficiary.

Planned gifts are a significant source of endowment capital for non-profit organizations. By utilizing the Pooled Income Fund, Designated Fund organizations can offer their donors a simple yet beneficial planned-giving vehicle that will help the Designated Fund grow over the years and help the donor avoid taxes.

"We are excited about the potential that a pooled income fund has in Oklahoma City," said Community Foundation Director Nancy Anthony. "Finally, small organizations have a vehicle to utilize in working with donors for whom this type of contribution can have advantages."

The Pooled Income Fund Trust document and brochures are available by contacting the Community Foundation office.



OKLAHOMA CITY COMMUNITY FOUNDATION, INC.
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