

Oklahoma City

**Community  
Foundation**

# the adviser

a newsletter for legal and financial advisers

March 2002



*Your Client's Charitable Legacy*

## Financial Plans Often Include Scholarships

Over the past five years, the number of scholarship funds managed by the Community Foundation has more than doubled. Increasingly, donors are using scholarship funds as a means for charitable giving.

Scholarships appeal to donors as an opportunity for them to help students better their lives and to serve as a perpetual contribution to the community. Donors also appreciate the Community Foundation's practical expertise in setting up scholarship criteria, developing forms for applications and determining functional methods of selecting recipients.

This expertise has been developed as the Community Foundation grew to become the state's largest independent source of scholarship fund administration. Operating through the Scholarship Center (see Web site information at [www.occf.org](http://www.occf.org)), the Community Foundation administers more than 50 different scholarship funds. Last year, the Community Foundation awarded over 330 scholarship awards. In addition to being the most

experienced, the Community Foundation also provides the greatest flexibility for clients considering a scholarship fund for a planned gift.

Some donors have chosen to support the Community Foundation's unrestricted scholarship endowment, which helps fund scholarships for students who are first in their family to attend college, or who are good citizens and scholars but not in the top test score and grade point percentages. The unrestricted scholarship endowment also helps fund scholarships for students who graduate high school while in foster care and students who are "non-traditional" students.

Other funds are even more targeted and are helping address specific donor wishes. For example, the Patrick Bonds scholarship fund at the Community Foundation provides a scholarship for a teacher who is pursuing continuing education. The Deral E. Willis Scholarship specifically benefits graduates of Sentinel High School. The Dr. Gary D. Moore fund makes scholarships available for students studying dance or arts

management at Oklahoma City University.

Individuals interested in learning more about the opportunities offered by the Scholarship Center may call Anna-Faye Rose, scholarship coordinator, at 405/235-5603. Your clients will benefit from the Community Foundation's permanence, financial management performance, scholarship-specific administrative skills, ability to accept a wide range of assets and promotion of the fund to applicants.

There is a \$10,000 minimum to establish a permanent scholarship fund.

### Scholarships are ideal for your clients who:

- wish to establish funds which allow students to attend a number of schools
- need assistance with the selection and administration process
- are no longer in Oklahoma but want to benefit local students
- want to participate in the scholarship selection but not the other administrative details
- wish to establish a fund as a memorial and want visibility.

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[www.occf.org](http://www.occf.org)

**OKLAHOMA CITY COMMUNITY FOUNDATION, INC.**  
*Combined Statement of Activities - Unaudited*

	Six Months Ended December 31, 2001	Year Ended June 30, 2001
<b>REVENUE AND SUPPORT</b>		
Contributions	\$ 15,359,984	\$ 62,423,801
Investment income	5,566,031	12,678,670
Net investment losses	(7,213,051)	(26,348,960)
Change in value of split-interest agreements	(23,447)	(45,411)
Other income	1,948	35,057
<b>TOTAL REVENUE AND SUPPORT</b>	<b>13,691,465</b>	<b>48,743,157</b>
<b>EXPENSES AND DISTRIBUTIONS</b>		
Grants and program services	6,950,710	30,855,478
Investment management fees	619,187	1,088,111
General and administrative	571,252	1,034,604
Development	228,821	415,097
<b>TOTAL EXPENSES AND DISTRIBUTIONS</b>	<b>8,369,970</b>	<b>33,393,290</b>
<b>INCREASE IN NET ASSETS</b>	<b>5,321,495</b>	<b>15,349,867</b>
<b>NET ASSETS AT BEGINNING OF PERIOD</b>	<b>395,710,162</b>	<b>380,360,295</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$401,031,657</b>	<b>\$395,710,162</b>

*Statement of Financial Accounting Standards No. 136 is not applied to the financial statements on an interim basis. For purposes of comparability, the year end numbers are also stated without those adjustments.*

**OKLAHOMA CITY COMMUNITY FOUNDATION, INC.**  
*Investment Performance*  
*Pooled Investments*

*Percentage Returns*

	Six Months Ended December 31, 2001	Year Ended June 30, 2001	Three Years Ended December 31, 2001	Five Years Ended June 30, 2001
<b>EQUITIES</b>				
Community Foundation	-3.20	-14.45	4.38	13.94
Standard & Poor's 500	- 5.56	-14.83	3.89	14.49
<b>FIXED INCOME</b>				
Community Foundation	4.68	10.89	6.40	7.07
Lehman Int. Gov. Credit	4.70	11.04	6.42	7.02
<b>TOTAL FUND</b>				
Community Foundation	- 0.19	-5.65	5.39	10.97
65% S&P/35% Lehman	- 1.97	-5.78	5.16	--

*Results given are for all Community Foundation Funds excluding those in separately invested supporting organizations. Special assets are also excluded. Equity performance is compared to the Standard and Poor's 500 Stock Index; fixed income performance is compared to the Lehman Intermediate Governments Credit Bond Index; total return is compared to a composite of these two indices, with weighting based upon applicable asset allocation.*

## Appraisals of Tangible Personal Property\*

by Stephen S. Lash, Chairman, Christie's Inc.

### Introduction

Appraisals of works of art are an important part of estate planning and financial planning, as well as being required for estate tax, charitable contribution or gift tax purposes. Due to the fluctuation of the art market and the trends in collecting categories, appraisals of fine art should be updated on a regular basis.

Although appraisals may be required with regard to several kinds of property, this article focuses only on appraisals of tangible personal property.

### Income Tax Purposes

By far the most complicated of the appraisal requirements are those demanded of a taxpayer who claims a charitable deduction on his or her income tax return. For any item of tangible personal property valued at more than \$5,000, the taxpayer must obtain a "Qualified Appraisal" and attach an "Appraisal Summary" to his or her income tax return. For any item valued at more than \$20,000, the taxpayer must attach the Qualified Appraisal itself (and not just the Appraisal Summary) to his or her income tax return.

The four general requirements of a Qualified Appraisal include the following:

- (1) The appraisal must be made not more than 60 days before the date of the contribution of the property to charity (and not later than the due date of the return on which a deduction for the contribution is claimed).
- (2) No part of the fee for the appraisal can be based on a percentage of the appraised value of the property.

- (3) It must be prepared and signed by a "Qualified Appraiser," and all appraisers who contribute to its preparation must sign it.

- (4) It must include:

- (a) A detailed description of the property from which someone who is not generally familiar with the type of property could recognize this particular item;

- (b) A description of the physical condition of the property;

- (c) The date (or expected date) of the contribution;

- (d) The terms of any agreement that the donor has entered into or expects to enter into with regard to the property.

- (5) The name, address, and taxpayer ID number of the Qualified Appraiser or Appraisers and, if the Qualified Appraiser is employed or engaged as an independent contractor by another person or firm, the name, address, and taxpayer ID number of that person or firm;

- (6) The qualifications of the Qualified Appraiser who signs the appraisal, including the appraiser's background, experience, education, and any membership in professional appraisal associations;

- (7) A statement that the appraisal was prepared for income tax purposes;

- (8) The date or dates on which the property was valued;

- (9) The appraisal fair market value on the date (or expected date) of the contribution;

- (10) The method of valuation used to determine the fair market value, such as the comparable sales or market date approach;

- (11) The specific basis for the valuation, such as any specific

- comparable sales transactions; and
- (12) A description of the fee arrangement between the donor and appraiser.

### The "Appraisal Summary"

A taxpayer who claims a charitable deduction greater than \$500 must attach IRS Form 8283 to his or her income tax return and fill out Section A of the form, which requires information about the donated property and the donation. When a taxpayer claims a deduction for an item valued at more than \$5,000, he or she also must fill out Section B of this form; Section B is the "Appraisal Summary."

The Appraisal Summary requires additional information about the donated property as well as the signature of the donee and a certification signed by the Qualified Appraiser containing the representations described above.

### The Statement of Value

In 1996, the IRS issued Revenue Procedure 96-15, which provides the procedures through which a taxpayer may request from the IRS a binding (on the IRS and the taxpayer) "Statement of Value" as to any item of art that has been appraised at \$50,000 or more. The taxpayer may then use the Statement of Value to substantiate the value of the item or art for income, estate, or gift tax purposes.

Because the taxpayer can request a Statement ...continued on page 4

\*Extracted from "Appraisals of Tangible Personal Property" © Christies, Inc., 2001. For more information about the publication, contact Konrad Keesee 843-9460.

of Value only after the contribution has been made, the procedure outlined in Revenue Procedure 96-15 is of little practical utility to the taxpayer. The taxpayer is also subject to a \$2,500 user fee for a Statement of Value.

### **Estate Tax Purposes**

When an estate includes household and personal effects, the executor must file Schedule F of the estate tax return, itemizing the property and reporting its value. All items of property must be listed separately unless they have a value of less than \$100 (this value has not changed in decades). Items having a value less than \$100 and contained in the same room on the date of death can be grouped together. As an alternative to itemizing, the executor may provide a written statement, prepared under penalties of perjury, setting forth the aggregate value of the property as appraised by competent appraisers of recognized standing and ability.

### **Is an Estate Tax Appraisal Necessary?**

In determining whether reliance on a particular appraisal demonstrated “reasonable cause and good faith,” the IRS will take into account:

- (1) the methodology and assumptions underlying the appraisal,
- (2) the appraised value,
- (3) the relationship between appraised value and purchase price,
- (4) the circumstances under which the appraisal was obtained, and
- (5) the appraiser’s relationship to the taxpayer or to the activity in which the property is used.

Certain types of tangible personal property must be appraised separately, specifically items having marked artistic or intrinsic value in excess of \$3,000, such as jewelry, furs, silverware, paintings, etchings,

engravings, antiques, books, statuary, vases, oriental rugs, or coin or stamp collections. The appraisal of such items must be made by an “expert or experts” and it must be made under oath, an often overlooked requirement. The appraisal must also be accompanied by the executor’s written statement, made under the penalties of perjury, as to the completeness of the itemized list of such property and as to the disinterested character and the qualifications of the appraiser or appraisers.

### **Gift Tax Purposes**

A taxpayer who makes a completed gift is required to file a gift tax return on IRS Form 709 and, except to the extent of a deduction such as the charitable or marital deduction, pay tax on the transfer at graduated rates based on the value of the gift if the gift generates a tax in excess of the unified credit amount.

### **Requirements of Gift Tax Appraisals**

The regulations provide specific guidance regarding the preparation of gift tax appraisals. Although fairly general and applicable to gifts of many types of property, not just items of art, this guidance provides a good starting point for the taxpayer making a gift of art.

The regulations specify that a gift tax appraisal contain the following information:

- (1) The date of the gift;
- (2) The date on which the gifted property was appraised and the purpose of the appraisal;
- (3) A description of the gifted property;
- (4) A description of the qualifications of the appraiser;
- (5) A description of the appraisal process used;

- (6) Any information considered in determining the appraised value;
- (7) The appraisal procedures followed, and the reasoning that supports the analyses, opinion and conclusions reached in the appraisal;
- (8) The valuation method used, the rationale for the valuation method, and the procedure used in determining the fair market value of the gifted property; and
- (9) The specific basis for the valuation, such as specific comparable sales or transactions.

The regulations also specify that a gift tax appraisal must be prepared by an individual who meets the following criteria:

- (1) Holds himself or herself out to the public as an appraiser, or performs appraisals on a regular basis;
- (2) Is qualified to make appraisals of the type of property being valued because of his or her qualifications, as described in the appraisal; and
- (3) Is not the donor or recipient of the property or a member of the family of the donor or recipient (which includes spouses, ancestors, lineal descendants and spouses of lineal descendants) or any person employed by the donor, the recipient or a member of the family or either the donor or recipient.

### **Summary**

In summary, the rules involving appraisals of tangible personal property may seem arcane but can become of critical importance if the advisor engages an appraiser who is not thoroughly familiar with them. For this reason, an advisor engaging an appraiser should make sure that the appraiser has up-to-date, in-depth knowledge both of appraisal formats and of the marketplace in which the most sustainable comparable values can be found.

## Ed Leslie, Perfect Rotarian

Doing something every week for a year is a challenge for many people. Doing it every week for sixty-one consecutive years is beyond the imagination of most of us. The only thing that stopped Ed Leslie from attending weekly Rotary meetings was his heart attack at age 90 and his death on February 5, 2002. Ed was a fixture, not only at his home Club 29, but at many other Rotary Clubs throughout Oklahoma City. He was one of only 13 Rotarians in the world to have more than 60 years of perfect attendance. He had served in every office of Club 29 and was a living example of the Rotary motto, "Service Above Self."

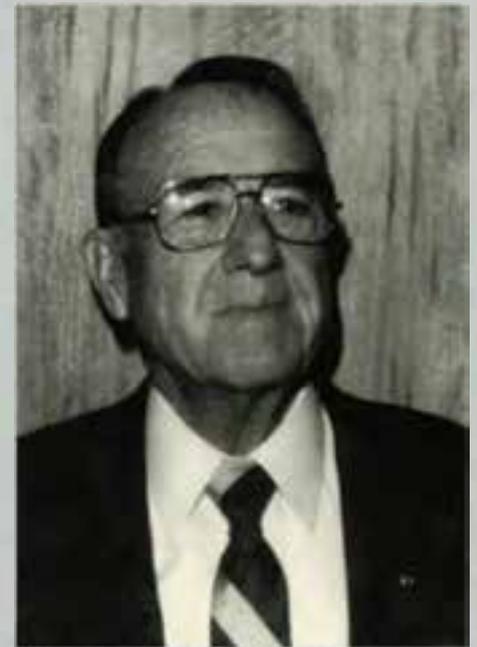
A native of Arkansas, Ed moved to Oklahoma City at

age four and graduated from Central High School. He attended Oklahoma A&M before serving in both World War II and the Korean War as Lt. Colonel in the U.S. Air Force. Ed associated with Mutual of New York in 1936, married Norma Fitts in 1940, and after his military service, he spent a lifetime selling life insurance and making friends in the Oklahoma City area. He was inducted to the MONY Hall of Fame in 1970 after winning numerous sales awards during his career.

Ed and Norma established a donor-advised fund at the Community Foundation in 1995 with some appreciated stocks. Ed noted in his jovial way, "I don't have records to show the cost basis in this stock,

but if I give it to the Community Foundation, I guess I don't have to worry about that." He was right and they received a tax deduction for the full market value of the stock at the time. Ed and Norma also supported a number of other endowment funds at the Community Foundation over the years. Those gifts will

continue to provide annual income to agencies important to the Leslies and each year, the annual distribution will be



*Ed Leslie, Perfect Rotarian*

identified as coming from their gifts. Ed's legacy of steadfast friendship and support will live on through these funds.

## CCH Services Added to Planned Giving Design Center

The Planned Giving Design Center (PGDC), hosted by the Oklahoma City Community Foundation on its [www.occf.org](http://www.occf.org) Web site, now offers even more for professional financial advisors. PGDC has entered into a content syndication agreement with CCH Incorporated that enables the site to publish selected articles from the *Journal of Practical Estate Planning*. The journal, launched in December

1999, provides both technical and "values-based" articles on a wide variety of estate planning topics.

Barbara Culver, editor-in-chief of the journal stated, "We are tremendously excited about what we believe will be a mutually beneficial relationship with the Planned Giving Design Center. We hope our articles will significantly enhance the value of services PGDC members are able to bring to their clients and donors."

Each article will be accompanied by a link to the CCH Web site where readers can learn more about the *Journal of Practical Estate Planning* as well as other publications and services in the CCH family.

This additional content represents the first of several steps being taken to enhance the breadth of material available to PGDC members. In addition to providing an excellent site for specialized research,

PGDC also provides timely alerts with the latest in planned giving news. The service is free but you must register. First go to [www.occf.org](http://www.occf.org) and then click on the "Planned Giving Design Center."

The Community Foundation staff is available, and free of charge, to assist you and your clients with determining the alternatives available for philanthropy. Contact Donna McCampbell, Carla Pickrell or Penny Voss at 405/235-5603.

## MISSION STATEMENT

The mission of the Oklahoma City Community Foundation, a non-profit public charity, is to serve the charitable needs of the Oklahoma City area through the development and administration of endowment funds with the goal of preserving capital and enhancing its value for the benefit of the Oklahoma City area.

*The mission will be fulfilled by seeking to:*

- Provide convenient, efficient, and effective ways through which donors can contribute assets to charitable purposes.
- Encourage donors to create funds which will benefit the community both now and in the future.
- Advocate for the development of endowment funds and provide appropriate means by which permanent endowment funds can be built and wisely managed to provide long-term support.
- Develop the Funds for Oklahoma City, restricted and unrestricted community endowments, which can be used by the Trustees and the community to develop, coordinate, and enhance services and programs which meet the changing needs of the community.

*For comments or suggestions contact Donna McCampbell (d.mccampbell@occf.org). For information on starting a fund, contact Penny Voss (p.voss@occf.org). Additional information is available at [www.occf.org](http://www.occf.org). Phone: 405/235-5603.*

### Board of Trustees

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## Marc Owens to Headline Seminar

One of the most influential people in the non-profit sector will be coming to Oklahoma City June 6 to lead a free seminar sponsored by the Oklahoma City Community Foundation.

Marcus S. Owens, former director of the Exempt Organizations Division of the Internal Revenue Service, will discuss the complex laws affecting tax-exempt organizations. As director, Owens served as the division's chief decision maker regarding design and implementation of federal tax rulings and enforcement programs for exempt organizations.

He joined the firm of Caplin & Drysdale in Washington, D.C., in February 2000. An attorney, Owens represents a broad range of non-

profits, including foundations, charities and trade associations. In 1998 and 1999, he was recognized by the Nonprofit Times as one of the top 50 most influential people in the non-profit sector.

The seminar will be in the afternoon at the campus of Oklahoma City Community College, 7777 S. May Avenue. The Community Foundation will apply for continuing education credits for both accountants and lawyers.

Space will be limited, so apply early to reserve your place. To register early, please visit our Web site at [www.occf.org](http://www.occf.org) and click on the Financial Seminar Registration link. Simply mail or fax (235-5612) your application. If you have any questions, contact Donna McCampbell at 405/235-5603.



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