



Policy Guidelines for Establishing
AN AFFILIATED FUND
at the OKLAHOMA CITY COMMUNITY FOUNDATION

The Internal Revenue Code, through Section 509(a)(3), provides a means through which organizations similar in function and structure to private foundations and charitable trusts may have public charity status by being affiliated with a community foundation. The technical term for this is a supporting organization. The Oklahoma City Community Foundation uses the term Affiliated Fund for this type of organization.

The Affiliated Fund structure currently serves two separate purposes:

- a. It can be an alternative to a private foundation for donors who want to establish a charitable fund and be actively involved in directing the earnings to nonprofit organizations. This type of fund is called a Distribution Committee Affiliated Fund.
- b. The endowment assets of a nonprofit organization can be managed for the organization through an Affiliated Fund. Because the nonprofit organization is usually the sole beneficiary of the endowment, this type of fund is called a Designated Beneficiary Affiliated Fund.

Each Affiliated Fund operates under a set of organizing documents and structure, which must be approved by the Trustees of the Oklahoma City Community Foundation. These documents establish the operations of the fund as part of the Community Foundation, which is required to be a Section 509(a)(3) supporting organization. The following guidelines for Affiliated Funds reflect the general requirement of the Community Foundation and the Internal Revenue Service for this type of organization.

1. An Affiliated Fund may be established with initial assets of at least \$1,000,000 for a Distribution Committee Affiliated Fund or a Designated Beneficiary Affiliated Fund. For Distribution Committee Funds, the donor and the Community Foundation may execute a Letter of Understanding regarding the donor's intention to contribute the minimum assets for an Affiliated Fund. All contributions will be held in a donor-advised fund until the asset size reaches \$1,000,000.
2. The articles of incorporation and governing instruments should be consistent in purposes with those of the Community Foundation.
3. A majority of the governing body of the Affiliated Fund must be named by the Community Foundation Trustees, with at least one Community Foundation Trustee, former Trustee or officer as a member. If an Affiliated Fund officer position is vacant, the President or

Chairman of the Oklahoma City Community Foundation shall serve in that position until the Board of the organization is able to fill the position.

4. The assets of the Affiliated Fund will be managed under the guidelines established by the Investment Committee of the Community Foundation and by investment managers approved by the Investment Committee. The Community Foundation will provide a pooled investment vehicle for those Affiliated Funds with assets of less than \$2.5 million. For Funds with assets greater than \$2.5 million, the Trustees of the Affiliated Fund may choose one or more of the investment managers approved by the Investment Committee. Affiliated Funds formed prior to 1994 may retain separately invested assets. Separately managed Funds should expect to stay with an investment manager for at least three years. Those assets of an Affiliated Fund which are not readily marketable or which reflect ownership of closely-held companies or significant ownership of public companies will be managed separately from the pool.
5. The staff of the Community Foundation will provide administrative services for the Affiliated Fund. The Fund may have its own committees to advise the Affiliated Fund Trustees on distributions, investments, development, and other policies
6. The Community Foundation will charge a fee to administer the Fund. The fee will be deducted from the income quarterly. It will cover all normal administrative services, financial reporting, maintenance of all records and files. The Community Foundation will assume responsibility for the preparation of all documents involved in establishing the Fund. The Community Foundation will include the Fund in its annual audit, will file the annual tax return for the Fund, will include the Trustees of the Fund in its Officers and Directors Liability Insurance, and will include the investment performance of separately managed funds in the quarterly review of performance by its Investment Counsel and Investment Committee.

Additional charges to the Fund outside of the Administrative Fees will be made for any legal, accounting, or management expense related to any special assets contributed to the Fund, any staff support required for special grant programs conducted by the Fund, travel outside of the Oklahoma City area for business directly related to the Fund or any other expense for special services required by the Fund which are not normally required by similar funds.

7. The fee structure for Affiliated Funds is provided in Appendix A of this policy. Additionally each fund assumes its proportionate share of the fees charged by the investment managers for investment services and any special services provided by the Community Foundation to support the development or grant programs of the fund. For Affiliated Funds with multiple funds, fees will be assessed on the total value and prorated to individual sub-funds.
8. Affiliated Funds should provide support for charitable activities in the community and a reasonable spending policy consistent with the growth of the endowment and the cash flow of the investments will be encouraged.

Affiliated Fund Policy Statement
Appendix A

The following annual fees will be assessed quarterly

A. Distribution Committee Affiliated Funds

- a. \$6,000 annual base fee
- b. 2/10 of one percent of the market value of the funds between \$1,500,000 and \$10,000,000
- c. 12/100 of one percent on the market value above \$10,000,000
- d. Funds that operate grant and scholarship programs, or that have additional distribution committee activity or meetings will be charged additional fees based on the level of service provided.

B. Designated Beneficiary Affiliated Funds

- a. \$6,000 annual base fee
- b. 2/10 of one percent of the market value of the funds above \$1,500,000

Effective August 25, 2015