



Oklahoma City
Community
Foundation

Designated Fund update

The Designated Endowment Fund program represents the clearest understanding of the Oklahoma City Community Foundation as it relates to both donors and other non-profit organizations.

A Designated Endowment Fund is a simple and efficient vehicle that will provide the organization with a stable source of yearly income—more than \$1.37 million was distributed among 200-plus Designated Endowment Funds in September for fiscal year 1997.

Through the Designated Fund program, a non-profit can take advantage of the Community Foundation's management services, including investment oversight, acknowledgment to donors and annual cash distributions.

The program is attractive to donors as well – a donor can support several agencies' Designated Funds with a single contribution, and the Community Foundation is prepared to handle various non-cash donations.

The Community Foundation has placed an emphasis on building the program, especially over the past five years, because we believe providing support to local non-profit organizations is the most basic way we can help strengthen the community.

A primary catalyst for the growth of the program has been the willingness of the John Kirkpatrick family to provide matching dollars as an incentive for agencies wishing to build endowments.

Between 1992 and 1994, a series of three matching programs were offered with the support of the Kirkpatrick family to stimulate the growth of many of the smaller funds. The total increase in donations from these challenges was \$3.2 million.

Followed by the stock market increase from 1995 to 1997, the growth of the Designated Funds has been substantial. During that period, the combined value of the funds increased from \$13.5 million to \$31.1 million. New funds accounted for \$2.5 million of this growth and existing funds received \$15.1 million.

To illustrate this substantial growth, one can follow the growth of current individual funds that were in existence in 1989. The average fund that was in place in 1989 has increased in value from \$57,570 in 1989 to \$152,027 in 1997.

The average annual cash distribution for funds in place since 1989 has increased from \$3,800 to \$6,832, and donated capital as a percent of total fund value has gone from 100 percent in 1989



to 60 percent in 1997 for those funds.

The importance of an appropriate long-term investment management program is illustrated by these results. The Community Foundation's investment committee sets policies with the goal of maximizing the funds' value over the long-term.

Cash distributions are based on a spending rule which is 5 percent of the average market value for the previous eight quarters. The spending rule ensures a stable earnings stream as well as a policy of inflation protection. (See related story on page 3).

The Community Foundation's investment performance for fiscal year 1997 was 19.43 percent. The three year investment performance average is 18.16 percent and the average performance for the past five years is 12.32 percent.

Because of the high rates of return achieved during the past several years, the spending rule has allowed the cash distribution to increase by 64 percent from 1989 to 1997 before any additional contributions are included.

The Designated Fund program has attracted both new funds and important additions to existing funds. This commitment to endowment building has been encouraged by the Community Foundation, and our staff are anxious to work with any organization to increase contributions to its endowment fund.

Designated Fund Program Facts At-A-Glance

(All funds included)	1992	1997
Total Assets of Program	\$13.5 million	\$31.1 million
Average Fund	\$67,341	\$121,485
Average Distribution	\$3,793	\$5,380
Total Program Distributions	\$739,735	\$1,377,400
Distributions of \$1,000+	130	216
Donated Capital as a % of Fund Value	88%	62%
Average Return on Donated Capital in Cash Distribution	6.47%	7.18%

Growth of Net Assets in Designated Funds
1991-1997



New Designated Funds for fiscal year 1997

University of Oklahoma School of Music –
Dorothy Kendall Piano Scholarship
Casady School Primary Division – Jane B. McMillin Memorial
Freda Poole Grayson Scholarship Fund
Positive Tomorrows
Ladies Music Club
University of Central Oklahoma Nursing Scholarship
Morris Animal Foundation
United Methodist Boys Ranch
The Children's Center
Oklahoma Youth Symphony
Make Promises Happen
St. Gregory's University – Vogt Fund

Designated Fund Development Ideas

The Oklahoma City Community Foundation has several thousand donors throughout the community, and actively promotes the Designated Endowment Fund program through its Annual Report, through *The Catalyst* newsletter and through the distribution of the Designated Fund brochure.

Agencies that benefit from these funds can increase the contributions to the fund by simply letting donors and supporters know that they have an endowment fund. Many of them might already be contributing to the fund of another organization and may be familiar with the endowment program concept.

The Kirkpatrick Family Fund has been very supportive of the Designated Funds at the Community Foundation and has made contributions to many of these funds. Most of their contributions are in the form of grants that the agency must match with contributions from other donors. Organizations interested in a specific effort to solicit new contributions are encouraged to contact Marilyn Myers at the Kirkpatrick Family Fund to discuss the possibility of a Designated Fund matching grant.

Talk about the success of the Designated Fund and how it has increased in value. The Community Foundation has prepared reports and sample newsletter articles that you can use to create a great story for your newsletter that will let your donors know about your agency's fund.

The Community Foundation provides donor cards and postage-paid reply envelopes for the use of any organization that would like to do a solicitation for a Designated Fund.

One of the most important sources of endowment assets are bequests from wills and trusts. Encouraging donors to include your organization in their will can be important.

The Community Foundation regularly sends lists of agencies with Designated Funds to attorneys and accountants. Suggest to donors through newsletter items to remember your agency's Designated Fund in their estate planning.

The Community Foundation acknowledges all contributions to both the donor and to the agency benefiting from a Designated Fund.

Memorial contributions are also acknowledged to the family of the person being remembered. Directing memorial contributions to your Designated Fund can assist you with the acknowledgment task as well as increase the value of your fund. These contributions can be forwarded to the Community Foundation directly without going through your own account.

Spending Policy provides protection for funds, maximizes support to agencies

A major focus of the Community Foundation's mission is to build and effectively manage a permanent and growing endowment for the benefit of non-profit organizations and charitable causes in the Oklahoma City area.

Therefore, it is essential that we focus on protecting these funds for future generations, while maximizing the dollars available for current grantmaking.

To address these goals, the Trustees of the Community Foundation approved a formal spending policy at the end of fiscal year 1996 for many of the funds of the permanent endowment.

Cash distributions from the Designated Endowment Funds are based on a spending policy that calls for distributing 5 percent of the average market value for the previous eight quarters. The remaining investment return is left with the fund to add to the fund's value, which protects the future income stream from the effects of inflation.

The annual distribution from the fund is more predictable because the amount is not tied to current income, which fluctuates due to shifts in market conditions, but is based in a rolling quarter average of the fund's market value, adjusted for additional contributions.

The 5 percent figure is based on an estimate of two factors

over time: market return and inflation. A conservative prediction of average market return over time is 8 percent. It is widely expected that inflation would average 3 percent over time. This leaves 5 percent to spend while still protecting the fund's value for the future.

Allowing managers to focus on the long-term growth of the funds enables them to place more emphasis on equities in their asset allocation.

Without a spending policy based on market value, managers might focus their investment strategy on producing a current income target. This would dictate a higher percentage of fixed incomes in the portfolio since they typically produce more current income than equities do.

However, equities historically outperform fixed income investments in the long run. By placing emphasis on a total return concept, the managers are able to concentrate on a goal of building significant capital appreciation.

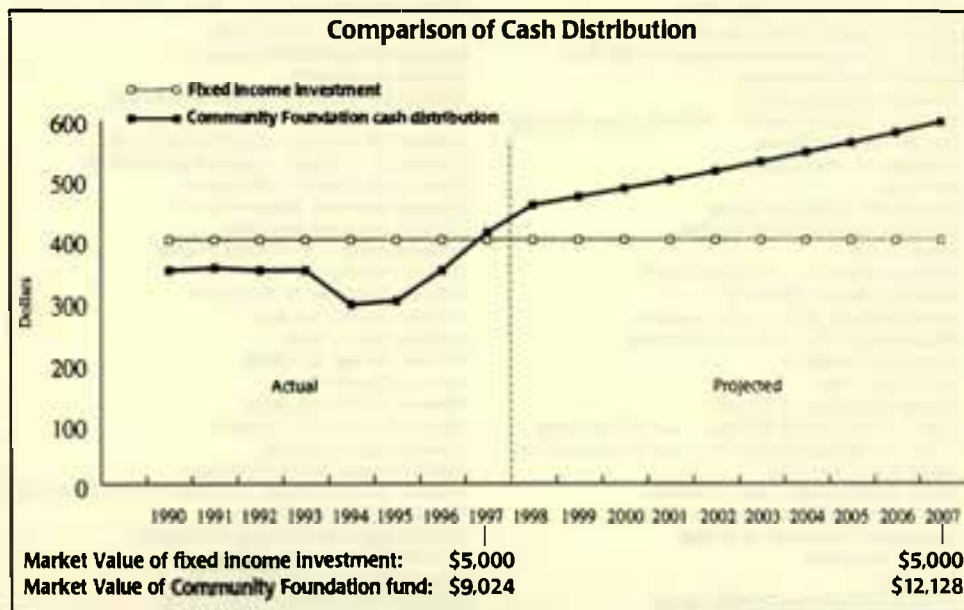
"The total return concept is especially important because of our active encouragement of growing endowment funds," said Carla Pickrell, the Community Foundation's director of administration. "The agencies receive an annual distribution from their endowment funds that is 5 percent of an *ever-increasing amount*, even if there are no additional contributions to the fund."

Spending rules are commonly used to provide a method of making distributions from an endowment fund which:

- 1) protects the future income stream from the effects of inflation,*
 - 2) provides a predictable annual income, and*
 - 3) allows the investment managers to focus on maximizing the total investment return to the fund.*
-

Example:

A \$5,000 fund started July 1, 1989 would be valued at \$9,024 in 1997 and would have had cash distributions of \$2,760 during the eight year period. This is a total return of more than 133 percent in distributions and increased value. Had the \$5,000 fund been invested in an 8 percent fixed income investment, it would have returned cash of \$3,200 and no investment appreciation. This is a total return of 64 percent for the same eight year period. By sacrificing \$440 in cash distribution, the fund has gained \$4,024 in appreciated value. The annual cash distribution from the spending rule now exceeds the fixed 8 percent return and will continue to increase in the future.



These figures are based on actual fund results through 6/30/97 and projections of 8 percent total return after 6/30/97.

Designated Endowment Funds at the Community Foundation

The following non-profit organizations receive annual support through endowment funds

45th Infantry Division Association Educational Fund
Aid for Individual Development
Mike Allen Memorial Education Fund
Ambassador's Concert Choir
American Cancer Society
American Diabetes Association
American Lung Association
American Red Cross – Oklahoma County
Arcadia Historical Preservation Society
Areawide Aging Agency
Arthritis Foundation – Oklahoma Chapter
Arts Council of Oklahoma City
Associated Catholic Charities
B'nai B'rith/Oklahoma Hillel Foundation
Ballet Oklahoma
Baptist Retirement Center
Belle Isle Neighborhood Association
Big Brothers/Big Sisters of Greater Oklahoma City
Bishop McGuinness High School
Boy Scouts of America – Last Frontier Council
Frank and Merle Buttram String Awards
Camp Fire Boys and Girls – Heart of Oklahoma Council
Canterbury Choral Society
Casady School
Casady School Primary Division – Jane B. McMillin Memorial
Casady School Scholarships
Celebrations! Educational Services
The Center for Nonprofit Management
Central High School Alumni Association
Central Oklahoma Association for the Deaf & Hearing Impaired
Cerebral Palsy and Handicapped of Oklahoma
Chamber Music in Oklahoma
A Chance to Change Foundation
Child Abuse Response and Evaluation Center
The Children's Center
Children's Medical Research Foundation
Cimarron Circuit Opera Company
Citizens Caring for Children
Citizens Caring for Children – Scholarship Program
City Arts Center
Civic Music Association
Coffee Creek Riding Center
Contact Telephone Helpline
Crimestoppers – Foundation for Improved Police Protection
Crown Heights – Edgemere Heights Homeowners' Association
Harley Custer Memorial Scholarship
Daily Living Centers
Deaconess Home – Pregnancy and Adoption Services
Deaconess Hospital
Edmond Educational Endowment
Education and Employment Ministry
ElderCare Access Center
ElderCare Access Center – Mobile Meals
Epilepsy Foundation of the Sooner State
Exchange Club Center for the Prevention of Child Abuse
Executive Women International
Fellowship of Christian Athletes
Fellowship of Christian Athletes – Stephen B. Payne Scholarship
Fine Arts Institute of Edmond
Foundation for Senior Citizens
Free to Live
Friends of the Metropolitan Library
Ema Garcia Memorial Scholarship Fund
Genesis Project
Girl Scouts of the U.S.A. – Red Lands Council
Freda Poole Grayson Scholarship
Greater Oklahoma City Tree Bank Foundation
William Fremont Harn Gardens and Homestead
Humanities in Oklahoma
Infant Crisis Services
Institute for International Education
Institute for International Education – Alice Pratt Internship
Institute for International Education – Colin & Brook Lee Fund
Integris Baptist Burn Center
Integris Baptist Medical Center of Oklahoma
Integris Southwest Medical Center Foundation
International Photography Hall of Fame
Jacobson Foundation
Jesus House
Jewish Federation of Greater Oklahoma City
Junior Achievement of Greater Oklahoma City
Junior Hospitality Club
Junior League of Oklahoma City
Junior League – Mary Baker Rumsey Award
Kerr-McGee Swim Club
Kirkpatrick Manor – Presbyterian Home
Valerie Koelsch Memorial Scholarship Fund
Erna Krouch Preschool
Ladies Music Club
Langston University
Langston University – Kirkpatrick Scholarship Fund
Lawton Philharmonic Society
Lutheran Social Services of Kansas and Oklahoma
Lyric Theatre of Oklahoma
Lyric Theatre – Byler Scholarship
Lyric Theatre – Curt Schwartz Scholarship Fund
Dean A. McGee Eye Institute
Make Promises Happen
Mayfair Center
Meadows Center for Opportunity
Melton Art Reference Library
Mental Health Association in Oklahoma County
Mercy Health Center
Metropolitan Library System Endowment Trust
Jasmine Moran Children's Museum
Morris Animal Foundation
Mount St. Mary High School
Myriad Gardens Foundation
National Society of Colonial Dames of America in Oklahoma
The Nature Conservancy – Oklahoma Chapter
Naval Reserve Association – ~~Walter~~ Clark Memorial Scholarship
Neighbor for Neighbor of Oklahoma City
Neighborhood Alliance of Oklahoma City
Neighborhood Services Organization
The Ninety Nines
OAlA Insurance Foundation – Marie Welch Scholarship
Oklahoma Archeological Survey
Oklahoma Arts Institute
Oklahoma Baptist University
Oklahoma Baptist University – Business Program
Oklahoma Baptist University – Hobbs Lectureship
Oklahoma Baptist University – Scholarships
Oklahoma Children's Theatre
Oklahoma Christian University of Science and Arts
Oklahoma City All Sports Scholarship Relief Fund
Oklahoma City Art Museum – Acquisitions Fund
Oklahoma City Beautiful
Oklahoma City Beautiful – Morrison Tucker Award
Oklahoma City Beautiful – Wildflower Fund
Oklahoma City Community College
Oklahoma City-County Historical Society
Oklahoma City Food Bank
Oklahoma City Literacy Council
Oklahoma City Metro Alliance for Safer Cities
Oklahoma City Orchestra League – Stewart Award
Oklahoma City Orchestra League – Florence Wilson Voice Awards
Oklahoma City Police Athletic League
Oklahoma City Public School Foundation
Oklahoma City University
Oklahoma City University – ~~Benjamin~~ Professorship
Oklahoma City University – Fine Arts Department
Oklahoma City University – Law School Dean's Fund
Oklahoma City University – Societies Fund Scholarship
Oklahoma City University – Taft Institute
Oklahoma Community Theatre Association
Oklahoma County Bar Foundation
Oklahoma County Senior Nutrition Program
Oklahoma Foundation for Excellence
Oklahoma Foundation for the Disabled
Oklahoma Goodwill Industries
Oklahoma Halfway House
Oklahoma Heritage Association
Oklahoma Historical Society
Oklahoma Horticultural Society
Oklahoma Lions Service Foundation
Oklahoma Lupus Association
Oklahoma Medical Research Foundation
Oklahoma Medical Research Foundation – Fleming Scholarship
Oklahoma Museums Association
Oklahoma School of Science and Mathematics
Oklahoma Shakespeare in the Park
Oklahoma Society for Crippled Children
Oklahoma State University – Oklahoma City
Oklahoma State University – Oklahoma City Horticultural Center
Oklahoma State University – Rumsey Garden
Oklahoma Visual Arts Coalition
Oklahoma Westerners Indian Territory Posse
Oklahoma Youth Symphony
Oklahoma Youth with Promise Scholarship Fund
Oklahoma Zoological Society
Oklahoma Zoological Society – Goldman/Kirkpatrick Lunch
Opportunities Industrialization Center
Overholser Mansion
Overholser Mansion – Dianne Gumerson Memorial
Paseo Artists Association
Payne Education Center
Pi Beta Phi Alumni Club Scholarship Fund
Planned Parenthood of Central Oklahoma
Positive Tomorrows
Prairie Dance Theatre
Presbyterian Urban Mission
Putnam City Schools Foundation
Rainbow Fleet
Red Earth
Referral Center for Alcohol and Drug Services of Central Okla.
Retired & Senior Volunteer Program of Oklahoma County
Dale Rogers Training Center
Rosary Catholic School
Rotary Foundation of Oklahoma City
Sales and Marketing Executives – Ralph Clinton Scholarship
The Salvation Army
The Salvation Army Boys and Girls Club
Scope Ministries International
Mary and Spencer Sessions Teaching Award
Skyline Urban Ministries
Southeast Area Health Center
Special Care
Speck Homes
St. Anthony Hospital Foundation
St. Anthony – Kirkpatrick Dental Clinic
St. Gregory's University Scholarship for Women
St. Gregory's University – Vogt Fund
St. James School
St. John ~~Christian~~ Heritage Academy – Waine Lynette Jackson Fund
St. John's Episcopal School
St. Mary's School
Sugar Creek Camp
Sunbeam Family Services
Tinker Air Force Base – General's Fund
Travelers' Aid Society
Trinity Episcopal School
Francis Tuttle Vo-Tech Foundation
U.S.S. Oklahoma City
United Cerebral Palsy
United Methodist Boys Ranch
United States Air Force Academy
United States Military Academy
United States Naval Academy
United States Navy Strategic Communication Wing One (E6-A)
United Way of Metropolitan Oklahoma City
University of Central Oklahoma – Fine Arts Fund
University of Central Oklahoma – Kirkpatrick Service Awards
University of Central Oklahoma – Nursing Scholarship
University of Oklahoma – Bizzell Memorial Library
University of Oklahoma Fred Jones Jr. Museum of Art
University of Oklahoma Marching Band – Jerry Cooper Scholarship
University of Oklahoma Medical College Alumni Association –
Robert M. Bird Society
University of Oklahoma Medical College – Mark R. Everett Scholarship
University of Oklahoma Medical College – Watson Scholarship
University of Oklahoma Naval ROTC
University of Oklahoma School of Music – Alice Everett Cello Scholarship
University of Oklahoma School of Music – Dorothy Kendall
Piano Scholarship
Urban League of Greater Oklahoma City
Variety Health Center
Villa Teresa School
Visiting Nurses Association
Westerners International
Westminster School
Work Activity Center
World Neighbors
YMCA – Camp Classen
YMCA – Central Branch
YMCA – Eastside Branch
YMCA – Metropolitan
YWCA of Oklahoma City
Youth Services for Oklahoma County

Contact Nancy Anthony, 405/235-5603, for more information about the Designated Fund program or to find out how to contribute to a fund on this list.