



Oklahoma City

Community
Foundation

the adviser

a newsletter for legal and financial advisers
May/June 1999



Oklahoma City Community Foundation Provides Leadership in Beautification Efforts



VIEW-Scape will focus on enhancing and improving the interstate corridors and the sight lines across the metro area.

The Oklahoma City Community Foundation is providing the leadership for a major initiative, VIEW-Scape, which will focus on enhancing and improving the corridors of the metro area.

The VIEW-Scape project represents the Community Foundation's ability to bring together a coalition of government, business and nonprofit interests with the purpose of improving the quality of life in the metro area. VIEW-Scape was initially identified as an activity to pursue through the Community Foundation's Parks, Beautification and Public Lands Initiative.

Recognizing the need for broad-based support of the VIEW-Scape project, the Community Foundation formed a coalition with the City of Oklahoma City, the Okla-

homa City Chamber of Commerce, the South Oklahoma City Chamber of Commerce, and Oklahoma City Beautiful.

Working with the coalition, the Community Foundation organized a summit in September 1998 to address the appearance of the metro area. Attending the summit were 55 city, county, and state officials as well as business and nonprofit organizations. The consensus of the summit was the appearance of the metro area has a dramatic impact on economic development of the metro area and the quality of life for the residents of the metro area. To put the conclusion of the summit into action and realize the goals of the summit, task forces were organized. One such task force is VIEW-Scape.

VIEW-Scape is designed to develop a Master Plan that provides a vision and direction of the growth, policy and specific enhancement projects for the Interstate Corridors in the Central Oklahoma Region. The VIEW-Scape Master Plan will be a comprehensive regional planning process that can be implemented throughout the entire community. The plan will address not only the land-

scape and site development of the interstate corridors, but also appropriate enhancements that can be achieved within the viewing area from the interstates.

The Master Plan will serve as an essential image building tool for both private and public entities looking to develop or expand within the metro area.

Participating in funding the VIEW-Scape project with the Community Foundation are Oklahoma County, Greater Oklahoma City Chamber of Commerce, Cities of Oklahoma City, Midwest City, and Edmond. The Oklahoma Department of Transportation, South Oklahoma City Chamber of Commerce, Oklahoma City Beautiful and the Cities of Del City and Moore are also actively involved. The broad-based participation and support of the project highlight the importance of VIEW-Scape.

The VIEW-Scape project is an excellent example of the Community Foundation's ability to provide the leadership to unite the various interests and organizations in the community to address and meet the needs of our community. ☐

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*Featuring Chris
Hoyt*

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LAWTON COMMUNITY FOUNDATION ESTABLISHED

*Set to support needs
in Southwest
Oklahoma*

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.
Combined Statements of Activities

	Nine Months Ended March 31, 1999	Year Ended June 30, 1998
REVENUE AND SUPPORT		
Contributions	\$ 6,747,456	\$ 20,692,443
Investment income	6,792,381	9,592,685
Net investment gains	20,903,502	43,448,209
Change in value of split-interest agreements	-	48,328
Other income	<u>2,818</u>	<u>38,120</u>
TOTAL REVENUE AND SUPPORT	34,446,157	73,819,785
EXPENSES AND DISTRIBUTIONS		
Grants and program services	4,326,788	7,300,938
Investment management fees	610,127	590,244
General and administrative	754,846	886,656
Development	<u>194,388</u>	<u>176,016</u>
TOTAL EXPENSES AND DISTRIBUTIONS	5,886,149	8,953,854
INCREASE IN UNRESTRICTED NET ASSETS	28,560,008	64,865,931
NET ASSETS AT BEGINNING OF PERIOD	<u>312,077,198</u>	<u>247,211,267</u>
NET ASSETS AT END OF PERIOD	<u><u>\$340,637,206</u></u>	<u><u>\$312,077,198</u></u>

OKLAHOMA CITY COMMUNITY FOUNDATION, INC.
Investment Performance
Pooled Investments

	<i>Percentage Returns</i>			
	Nine Months Ended March 31, 1999	Year Ended June 30, 1998	Three Years Ended June 30, 1998	Five Years Ended June 30, 1998
EQUITIES				
Community Foundation	10.54	29.19	28.71	22.40
Standard & Poor's 500	14.67	30.27	30.24	23.08
Russell 2000	-12.17	--	--	--
FIXED INCOME				
Community Foundation	4.36	9.01	6.90	6.09
Lehman Int. Gov. Corp.	4.60	8.58	6.93	6.15
TOTAL FUND				
Community Foundation	7.98	20.33	18.76	14.64
57% S&P/8% Russell/35% Lehman	9.00	--	--	--
50% S&P/50% Lehman	--	19.16	18.36	14.56

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 and the Russell 2000 Stock Indices; fixed income performance is compared to the Lehman Intermediate Governments Corporate Index; total return is compared to a composite of these three indices, with weighting based upon applicable asset allocation instructions given to money managers.

upcoming event

Oklahoma City Community Foundation to Host Seminar

The Oklahoma City Community Foundation is hosting a free educational seminar for financial planners on Thursday, June 24, 1999, from 2 to 5 p.m. The seminar, *Optimal Lifetime and Estate Planning Strategies for Charitable Gifts*, qualifies for three hours of continuing professional education for CPAs. Application has been made for qualification of three hours of continuing professional education for attorneys.

The speaker for the seminar will be Chris Hoyt, Professor of Law at the University of Missouri - Kansas City. Chris teaches courses in the area of federal income taxation and business organizations. Chris is the author of *The Legal Compendium for Community Foundations*. He is vice-chair of the American Bar Association (ABA) Committee on Charitable Planning and Exempt Organizations and is also the chair of the ABA Task Force to recommend legal reforms in the area of charitable bequests from retirement plan accounts. He is a frequent speaker at legal and educational programs. Chris will provide an experienced and insightful look at the material presented at the seminar.

The topics covered in the seminar include the following:

- planning for maximum tax benefits from lifetime charitable gifts
- charitable remainder trusts and other deferred charitable gifts
- charitable contributions of stock, including closely held and subchapter S stock
- how to structure charitable bequests from a donor's retirement plan account
- tax-free transfers of U.S. Savings Bonds to charities and charitable remainder trusts

All financial advisors are invited and encouraged to attend the seminar. There is no cost for attending the seminar but registration is required. Space is limited and available on a first-come, first-serve basis. Please register by completing the form below and returning it to the Community Foundation, P.O. Box 1146, Oklahoma City, OK 73101-1146 or fax (405)235-5612. The registration deadline is Friday, June 18th.

Registration Form - Optimal Lifetime and Estate Planning Strategies for Charitable Gifts

Thursday, June 24th 2 - 5 p.m.
The Waterford Marriott Hotel

Name _____

Firm Name _____

Address _____

Phone _____ Fax _____

E-Mail Address _____

NEW REGULATIONS APPROVED FOR “FLIP” UNITRUST



The IRS has issued final regulations that provide for opportunities with and clarification of the tax treatment of charitable remainder “flip” trusts. A flip trust is one which converts from one type of charitable remainder trust into another.

Background

Using a charitable remainder trust, a donor can contribute appreciated assets to a charity and in return receive an income stream from those assets without having to pay income taxes on the donated property’s appreciation. The donor also realizes an income tax deduction in the year the assets are transferred to the trust.

A charitable remainder trust generally requires the amount of income paid to the donor or beneficiary during the trust’s term be a fixed amount or percentage (i.e., 6 percent of the trust asset’s fair market value, redetermined annually) determined at the establishment of the trust.

In the past, charitable

remainder trusts funded with real estate, closely held stock and other illiquid assets, generally had a net-income limitation added to the trust provisions. With the net-income limitation, the income payments to the donor or beneficiary are generally the lesser of the trust’s net income or a fixed percent of the trust’s assets. Even though the net-income limitations could be accompanied by a “make-up” provision that requires the trustee to pay additional amounts to a donor or beneficiary in future years, if reduced amounts were paid in earlier years. There are some disadvantages to these trusts.

For some charitable remainder trusts, the net-income limitation may rule out more diversified growth investments, such as stocks, in favor of income-generating investments. Thereby limiting the growth of the trust assets and income.

“Flip” Trusts Approved with New Regulations

The new regulations permit a “flip” provision for charitable remainder unitrusts.

A “flip” charitable remainder unitrust initially bases payments to donors or beneficiaries on the amount of income generated by the trust; therefore, if there is no income until an illiquid asset is sold, no payment to the

donor or beneficiary is required.

When the illiquid assets are sold, the trust is “flipped” to a payment provision based on a fixed percentage, a standard charitable remainder unitrust (CRUT).

The regulations require the “flip” from a net-income limited charitable remainder unitrust to a fixed percentage payment unitrust, a standard unitrust, must be based on a permissible triggering event. Examples of permissible triggering events include sale of an unmarketable asset, marriage, death, divorce or birth of a child.

The conversion to a fixed percentage payment, a standard unitrust, occurs at the beginning of the taxable year immediately following the year in which the triggering event occurred.

Window of Opportunity

The final regulations permit amending existing net-income charitable remainder trusts (NICRUT or NIMCRUT) to add a “flip” feature, if the trustee of the trust begins legal proceedings for the amendment before June 30, 2000 (Notice 99-31).

The ability to add a “flip” feature to existing NICRUTs or NIMCRUTs is a window of opportunity for donors and charities. Generally, established charitable remainder trusts cannot be amended to add a “flip”

feature.

Significantly, it is only permissible to “flip” from a NICRUT or NIMCRUT into a standard CRUT. It is not permissible to convert from a NICRUT or NIMCRUT into a charitable remainder annuity trust (CRAT). It is also not permissible to convert from a CRUT into a NIMCRUT or NICRUT.

Looking Ahead

The final regulations provide significant planning opportunities for donors to incorporate their illiquid assets in their charitable giving plan. With the “flip” feature, appreciated, illiquid assets can be donated to a charitable remainder trust. The donor receives an income tax deduction and avoids income taxes on the property’s appreciation. Once the trust assets are sold, the trust can be “flipped” to a standard CRUT. The trust assets can be invested in a highly diversified portfolio to maximize the return to the donor and the charity.

The Oklahoma City Community Foundation works with donors and their financial planners to maximize opportunities. A charitable remainder “flip” trust with the Community Foundation can provide the donor income and flexibility in his or her charitable giving plan. ☐

FINAL REGULATIONS ON PUBLIC CHARITIES' PUBLIC DISCLOSURE

The IRS has issued the final regulations for public disclosures required by public charities.

The new rules require public charities to provide copies of certain documents to anyone who requests them in person. For this purpose, the documents include the exemption application, Forms 1023 or 1024, and its supporting schedules and documents, and the three most recent annual information returns, Forms 990, 990-EZ, 990-BL and Form 1065. However, the public charity is not required to disclose the names and addresses of contributors.

Generally, a public charity must comply with a personal request for documents in the same day the request is made. Public charities have 30 days to respond to written requests for individual copies of documents. The regulations provide that a public

charity can charge a reasonable fee for mailing and copying costs. The copying fees cannot exceed \$1 for the first page and 15 cents for each subsequent page.

The final regulations give public charities an alternative to providing paper copies of the documents by publishing them on the world wide web. The documents placed on the world wide web must be an exact reproduction of the actual documents. However, publishing the documents on the world wide web only exempts the charity from providing copies of the documents.

The charity must have the documents available for public inspection at their offices. The final regulations do not apply to private foundations. Currently private foundations are only required to have their annual information returns, Form 990-PF available for public

inspection 180 days after posting a notice that the returns have been filed. The IRS has stated it will issue more stringent rules for

private foundations in the near future.

The effective date of the final regulations is June 8, 1999. ☒

COMING JULY 1 – THE PLANNED GIVING DESIGN CENTER

Beginning July 1 the Oklahoma City Community Foundation will host a website specifically for financial planning professionals. The website, the Planned Giving Design Center, will help financial planners advise their clients more efficiently and more effectively.

The website will contain information about income and estate tax planning with various charitable vehicles, implementation and management of charitable gift planning, current articles and IRS releases regarding charitable gift planning, case

studies that combine donor assets and objectives, and sample documents.

All financial advisors will be welcome to use the website. Registration with the Community Foundation will be required to gain access to the website. There will be no user charge or setup fee for using the website. The website will be accessible through the Internet. No special software will be required to access the website.

For more information on the website, please contact the Community Foundation, (405) 235-5603.

LEGISLATION INTRODUCED FOR CHARITABLE ROLLOVER OF IRA

A bill has been introduced in the house that would permit the tax-free rollover of an Individual Retirement Account (IRA) to a public charity, to a charitable remainder trust, to a pooled income fund or for the issuance of a gift annuity.

The bill, IRA Charitable Rollover Incentive Act of 1999, was introduced by Representatives Crane (R-

IL) and Neal (D-MA). If passed, the bill will amend IRC section 408(d) so that generally distributions from IRAs directly to a public charity, to a charitable remainder trust, to a pooled income fund or for the issuance of a charitable gift annuity will not be included in gross income.

Under current law, if an individual transfers funds from his or her IRA directly

to a charitable organization, the amount transferred is included in the individual's gross income subject to income taxes. Additionally, if the transfers from the IRA occur before the individual is age 59½, the amounts are subject to a 10 percent premature distribution tax. If passed, the bill could present significant tax planning opportunities for clients. The Oklahoma City

Community Foundation works with donors and financial planning professionals to maximize the donors' tax advantages and make the donors' charitable goals a reality.

The Community Foundation will closely monitor the status of this legislation and keep you apprised of any changes. ☒

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 pursuit of these goals:

- 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 about material for The Adviser, contact Donna McCampbell, editor. For more information on the Community Foundation, contact Nancy Anthony, executive director. Phone: 405/235-5603.

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Lawton Community Foundation to Support Charitable Needs in Southwest Oklahoma

The Lawton Community Foundation is the newest Affiliated Fund of the Oklahoma City Community Foundation, which has been serving the charitable needs of central Oklahoma for the past 30 years.

The Lawton Community Foundation was established to support the charitable interests and concerns of the people of the Lawton/Ft. Sill community and surrounding areas, and was founded with initial funding from the community-owned Lawton Retail Merchants' Association.

This new fund is unique among other Affiliated Funds because it is the first "community fund."

Several other Affiliated Funds support communities outside of the Oklahoma City area, such as the Malzahn Family Affiliated Fund that supports Perry. However, unlike these other funds which were established by a donor or a specific organization, the Lawton Community Foundation will have broad donor support from the people of southwest Oklahoma.

Lawton is a place where the opposite ends of the spectrum coalesce into the best of both worlds in Oklahoma — small-town charm meets big city

conveniences; long-ago history coexists with the latest in modern technology.

Lawton, one of the largest cities in Oklahoma, is the business and cultural center for southwest Oklahoma.

The Lawton Community Foundation will enable donors in the Lawton/Ft. Sill area to permanently enhance the quality of life in southwest Oklahoma through endowments whose principal is protected for future generations while the earnings are used to support current needs in the area.

The Lawton Community Foundation will ensure that southwest Oklahoma's cultural, artistic, educational and charitable work will have a strong and lasting source of funding from which future generations will benefit. ■



The annual Arts for All Festival is one of several festivals and other community events in Lawton.



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