TABLE OF CONTENTS

LEGAL CONSIDERATIONS .......................................................... 3
FUND ADMINISTRATION .......................................................... 3
INVESTMENT PROGRAM ......................................................... 8
BUILDING YOUR ENDOWMENT .............................................. 9
SAMPLE MARKETING LANGUAGE ................................................. 9
FREQUENTLY ASKED QUESTIONS ............................................. 11
SUGGESTED READING .......................................................... 15
Welcome to The Oregon Community Foundation’s Endowment Partner Program! Through this program, nonprofit organizations create funds to support their own operations and programs in perpetuity. By joining this program, your organization has taken an important step toward financial sustainability. This handbook is designed as a reference for the investment and administration of your endowment fund.

OCF’s mission is to improve life in Oregon and promote effective philanthropy. Founded in 1973, OCF works with individuals, families, businesses and organizations to create charitable funds that support the community causes they care about.
LEGAL CONSIDERATIONS

Ownership of Assets
The Oregon Community Foundation is an Oregon 501(c)(3) public charitable corporation. Endowment partner funds, otherwise known as agency endowments, are OCF funds established by other public charitable organizations in Oregon to serve as their endowments. OCF maintains variance power and legal ownership of these endowments and reports the funds as assets.

Variance Power
Each fund is intended to be and shall be administered as a component fund of OCF and shall be subject to OCF’s articles of incorporation and bylaws, each as amended and restated from time to time. OCF is authorized to vary or modify restrictions or conditions that it believes are unnecessary, incapable of fulfillment, or inconsistent with the charitable, educational and scientific needs of the state of Oregon.

Contingency
Endowment partner funds are designated to benefit the organization that established the fund. If that organization ceases to exist or changes its public charitable status, the OCF board of directors may exercise variance power to select a successor beneficiary of the fund. The OCF board takes the recommendations of the partner organization’s board into consideration when making this selection.

FUND ADMINISTRATION

Contributions
OCF accounts for endowment partner funds in accordance with Accounting Standards Codification® 958-605-25-33 (formerly the Statement of Financial Accounting Standard No. 136), Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others.

This standard, which was issued by the Financial Accounting Standards Board in 1999, states that if a community foundation accepts a contribution from an agency and agrees to transfer either those assets, the return on investment of those assets, or both back to the agency, this contribution will be presented as an asset on the agency’s financial statements, and as an asset and a liability (instead of a net asset) on the community foundation’s financial statements.
Please note that this treatment is only for the purposes of financial statement presentation. Legal ownership of these assets remains with The Oregon Community Foundation.

In addition, this accounting treatment does not apply to gifts received from individuals or other parties. Therefore, contributions to an endowment partner fund should be made by the organization that created the fund. OCF cannot accept gifts directly from donors on behalf of endowment partner organizations.

**Cash contributions**

Make checks payable to “The Oregon Community Foundation” and include the name of your fund(s) in the check memo line or in a cover memo. Contact your OCF representative for cash wiring instructions.

**Contributions of securities**

Contact your OCF representative for security transfer instructions. All additions of securities are liquidated upon receipt and are net of any transaction costs.

**Endowment campaigns**

When soliciting donations for your endowment, please ask your donors to make their gift directly to your organization, which will acknowledge the donor. You can then forward donations to OCF to be added to your endowment partner fund, and OCF will acknowledge your organization.

If your organization is planning an endowment campaign, please contact your OCF representative to coordinate your efforts.

**Distributions**

**Spending policy**

OCF makes distributions from permanent endowment partner funds based on the spending policy set forth in OCF’s investment policy. This policy calls for the OCF board to set an annual payout rate for permanent funds.

OCF’s payout rate is set each August with the goal of maintaining the purchasing power of permanent funds. It is based on our Investment Committee’s projected 10-year investment returns. If projected 10-year returns are 9 percent or higher, the payout rate for the following year will be 5 percent. Otherwise, the payout rate for the following year will be 4.5 percent.
**Distribution calculation**

The annual distribution amount for each fund is calculated by applying the payout rate to the fund’s average market value over a 13-quarter period ending on September 30 of the previous year.

### Sample Fund Example

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Date</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>9/30/2016</td>
<td>$106,000</td>
</tr>
<tr>
<td>2</td>
<td>6/30/2016</td>
<td>105,200</td>
</tr>
<tr>
<td>3</td>
<td>3/31/2016</td>
<td>105,000</td>
</tr>
<tr>
<td>4</td>
<td>12/31/2015</td>
<td>104,300</td>
</tr>
<tr>
<td>5</td>
<td>9/30/2015</td>
<td>102,700</td>
</tr>
<tr>
<td>6</td>
<td>6/30/2015</td>
<td>103,500</td>
</tr>
<tr>
<td>7</td>
<td>3/31/2015</td>
<td>102,000</td>
</tr>
<tr>
<td>8</td>
<td>12/31/2014</td>
<td>99,400</td>
</tr>
<tr>
<td>9</td>
<td>9/30/2014</td>
<td>98,000</td>
</tr>
<tr>
<td>10</td>
<td>6/30/2014</td>
<td>99,100</td>
</tr>
<tr>
<td>11</td>
<td>3/31/2014</td>
<td>97,250</td>
</tr>
<tr>
<td>12</td>
<td>12/31/2013</td>
<td>96,300</td>
</tr>
<tr>
<td>13</td>
<td>9/30/2013</td>
<td>96,500</td>
</tr>
</tbody>
</table>

Total $1,315,250

Average (total ÷ 13) $101,173

2017 distribution amount (average x 4.5%) $4,553

**Distribution schedule**

Distributions from endowment partner funds are typically made semiannually. Half of the amount is paid in June and half in December. Distributions are paid by check or directly deposited to an organization’s bank account.

**New funds**

It is OCF’s policy to invest new funds for six months before approving distributions. In the first year, the amount available for distribution from a new fund is prorated based on the date of the contribution.

- **Example 1.** A fund established in December 2016 receives a full-year 2017 distribution based on the amount of the gift. Distributions from the fund are available for the June 2017 distribution cycle.

- **Example 2.** A fund established in April 2017 receives a prorated 2017 distribution. Because the fund will exist for only eight months of the year, the distribution will be eight-twelfths (67 percent) of a full-year distribution. It will be available for the December 2017 distribution cycle.
**Fund additions and distributions**

If a gift is made to an established fund, that fund’s average market value will be adjusted to incorporate the gift. This adjustment is intended to increase the next calendar year’s distribution by the payout rate times the gift amount.

**Reinvestment of endowment partner distributions**

If an endowment partner does not take a distribution during the current year, or takes only a partial distribution, the undistributed amount is reinvested into the fund and is not added to the amount available for distribution in future years.

**Fees**

**Administrative fees**

OCF charges each component fund a fee for administration. Fees are assessed quarterly and are subject to change from time to time prospectively, not retroactively. Current annual fees for nonprofit agency endowment funds are reduced compared to other OCF fund types.

<table>
<thead>
<tr>
<th>Amount</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $1 million</td>
<td>.50%</td>
</tr>
<tr>
<td>Next $4 million</td>
<td>.20%</td>
</tr>
<tr>
<td>Above $5 million</td>
<td>.10%</td>
</tr>
</tbody>
</table>

**Investment fees**

OCF allocates investment program fees proportionally to the individual funds in its investment pool. These costs include investment management, consultant and custodial fees. OCF reports all investment returns net of these fees.

**Other fees**

Any direct expense incurred by the fund (such as a legal fee) will be charged to the fund.
Statements

Fund statements are provided for each calendar quarter six to seven weeks after the end of that quarter. Statements are available in hard copy or electronic form.

How to read your fund statement

<table>
<thead>
<tr>
<th>Investment fees and returns are proportionally allocated to each fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions from the partner organization</td>
</tr>
<tr>
<td>Distributions returned to the fund</td>
</tr>
<tr>
<td>Distributions to the partner organization</td>
</tr>
<tr>
<td>Typically no other expenses</td>
</tr>
<tr>
<td>Transactions in process at the end of a quarter (unlikely to occur)</td>
</tr>
<tr>
<td>The remaining distribution balance at the time of statement printing</td>
</tr>
</tbody>
</table>

Endowment Partner Endowment Fund
of The Oregon Community Foundation
Statement of Changes in Fund Balance
April 1, 2017 through June 30, 2017

<table>
<thead>
<tr>
<th>CURRENT PERIOD ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Balance</strong></td>
</tr>
<tr>
<td>Interest and dividend income</td>
</tr>
<tr>
<td>Realized gain/(loss) on investments</td>
</tr>
<tr>
<td>Unrealized gain/(loss) on investments</td>
</tr>
<tr>
<td>Investment management expense</td>
</tr>
<tr>
<td><strong>Net Investment Return</strong></td>
</tr>
<tr>
<td>Contributions</td>
</tr>
<tr>
<td>Other income</td>
</tr>
<tr>
<td>Repayments</td>
</tr>
<tr>
<td><strong>Total Fund Additions</strong></td>
</tr>
<tr>
<td>Distributions paid</td>
</tr>
<tr>
<td>OCF fee</td>
</tr>
<tr>
<td>Legal fees</td>
</tr>
<tr>
<td>Broker fees</td>
</tr>
<tr>
<td>Other expenses</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
</tr>
<tr>
<td>Fund transfers</td>
</tr>
<tr>
<td><strong>Ending Balance</strong></td>
</tr>
<tr>
<td><strong>Pending Transactions</strong></td>
</tr>
<tr>
<td>Distributions approved, unpaid</td>
</tr>
<tr>
<td>Fund expenses, unpaid</td>
</tr>
<tr>
<td><strong>Net Ending Balance</strong></td>
</tr>
<tr>
<td>Amount available for distributions</td>
</tr>
</tbody>
</table>

If you have questions about this statement, please contact Valarie Rundquist at 503.552.3510.

Detailed investment information is available at www.oregoncf.org.

Note that half of the annual distribution was paid in June. The other half remains available for the December distribution cycle.
Online Access

OCF’s Endowment Partner View (EP View) gives endowment partners convenient online access to fund statements and related information.

If you elect for paperless delivery of quarterly fund statements, you will receive an automated email announcing when quarterly statements are available for download. Your OCF representative can provide login credentials. To access EP View, go to www.oregoncf.org and click on MyOCF.

INVESTMENT PROGRAM

OCF invests its permanent funds to provide a stable resource for Oregon that responds to today’s needs while also preserving and enhancing the real value of funds for future needs.

Endowment partner funds are invested in either our main investment pool or our socially responsible investment pool. Our objective is to retain — and wherever possible, to increase — the purchasing power of the funds, in addition to producing a reasonable return for distribution to partner organizations.

Investment Committee

OCF’s Investment Committee makes recommendations to our board of directors on investment policy and strategy, and it also hires and monitors investment managers. The Investment Committee is made up of community volunteers and OCF board members with expertise in investment and business. Cambridge Associates, an international investment consulting firm, assists the committee in its work.

Learn more about OCF’s investment program at www.oregoncf.org.

Asset Allocation

A well-diversified portfolio is fundamental to OCF’s investment strategy of maximizing investment returns and reducing risk and volatility. The main pool is diversified between global equity, private equity, inflation hedging, marketable alternative, and global fixed income allocations.

In the socially responsible investment pool, investments are subject to environmental, social and governance screenings. This pool is diversified between global equity and fixed income, and it is invested to achieve the same objectives as the main pool. OCF’s Investment Committee regularly reviews the asset allocation strategy for both pools.
BUILDING YOUR ENDOWMENT

Planned Giving Support

OCF can help nonprofits build their endowment through life income gifts. Deferred giving options include:

- **Charitable remainder trusts (CRTs).** The minimum amount required to fund a CRT is $100,000. OCF may act as trustee for no fee. In this case, we require at least 50 percent of the charitable remainder interest to be designated for the organization’s endowment fund at OCF. The remaining 50 percent may be distributed directly to the organization.

- **Charitable gift annuities (CGAs).** A minimum of $25,000 can create a gift annuity. At the end of the annuity’s term, the residuum may be designated for the organization’s endowment fund at OCF.

When a trust or gift annuity ends, all or part of the remaining assets may be directed to your endowment fund at OCF to provide ongoing support for your organization.

OCF’s philanthropic advisers are available to meet with your board or donors — either individually or as a group — to discuss how they can contribute to your endowment, enjoy income for life (or for a specified number of years), and obtain an income or estate tax benefit. To learn more about how OCF can support your deferred giving efforts, contact your local OCF office.

**SAMPLE MARKETING LANGUAGE**

Case for Endowment Statement

The following sample language is provided as a template for your organization’s Case for Endowment Statement, which explains the purpose of your endowment fund at The Oregon Community Foundation to current and prospective donors. Your statement will be stronger if you adapt this sample language to your organization’s particular style and tone.
Your Case for Endowment Statement should include:

- The name of your organization and the services you provide to the community
- The definition of an endowment (a fund maintained in perpetuity to provide an income stream to an organization)
- Why your organization needs an endowment
- Financial goals for your endowment
- How you will use your endowment funds
- Why donors should support your endowment

Sample Case for Endowment Statement

[organization name] has partnered with The Oregon Community Foundation (OCF) by creating the [fund name] of The Oregon Community Foundation. With OCF’s stewardship and long-term investment program, our endowment fund will be maintained in perpetuity to provide a stable stream of income that will support [description of cause].

With this partnership, our donors have the opportunity to designate a gift to this permanent fund to ensure future funding for our work. We also offer our donors the option of creating a life income gift, often called a planned gift. OCF staff works with our staff and donors to create bequests, charitable remainder trusts (CRTs) and charitable gift annuities (CGAs). Assets remaining at the termination of the trust or gift annuity will be designated to a fund that will provide ongoing support for [organization name].

Bequests

A bequest, made through a donor’s will, living trust, or beneficiary designation form for a retirement plan or insurance policy, is the most direct form of a planned gift. Bequests are easy to establish, and the estate receives a tax deduction for 100 percent of the value of the gift.

Sample bequest language

I give, devise and bequeath: [describe assets that are the subject of the bequest] to [organization name], tax ID #xx-xxxxxxx, an Oregon nonprofit corporation.
Charitable Trusts and Gift Annuities

Sample CRT / CGA language

Charitable remainder trusts (CRTs) and charitable gift annuities (CGAs) are life income gifts that allow a donor to make a gift to [organization name], enjoy income for life or for a specified number of years, and obtain an income or estate tax benefit. Assets remaining at the termination of the trust or gift annuity may be directed to a permanent endowment at The Oregon Community Foundation to support [organization name].

FREQUENTLY ASKED QUESTIONS

About Endowment Partner Funds

What is a community foundation?
Community foundations are grantmaking public charities dedicated to improving the lives of people in a specific geographic area. They bring together the financial resources of individuals, families and businesses to support effective nonprofits in their communities.

What is an agency endowment?
An agency endowment is a type of designated fund established by a charity at a community foundation for the charity’s own benefit or the benefit of a related entity. In other words, the donor or resource provider and the beneficiary or recipient organization are the same entity. OCF refers to these funds as endowment partner funds.

Additions

How do we make additions to our fund? Is there a deposit form?
No form is necessary. For cash additions, make a check payable to OCF with an indication of the name of the fund(s) to which it should be added. You can write the name of the fund(s) in the check memo line or in a cover memo.

Can OCF accept gifts of securities to our endowment partner fund directly from our donors?
No. Endowment partner funds have a unique accounting treatment under Generally Accepted Accounting Principles (GAAP) that is different from any other type of fund. Because of this, OCF is not able to accept gifts of any form directly from your donor to your fund. Instead, we ask that you accept the gift and in turn transfer it to your fund at OCF. A list of online brokers is included in the Resources section of this handbook.
**Distributions**

*Are we required to take our distributions?*

No. Many organizations reinvest their annual distribution into the fund balance. Some wait until they have reached their endowment goal and then begin regular distributions.

*Can we receive a part of the annual amount?*

Yes. It’s not all or nothing. Your board may ask to take only a portion of the annual amount. Contact your OCF representative to learn more.

*If we reinvest, can we take the distribution next year?*

No. Endowment partner fund distributions are calculated annually and are available *only* in that calendar year. Undistributed balances do not carry forward to future years.

*We have been reinvesting our distributions and would now like to begin receiving them. What is the process?*

Simply contact your OCF representative by phone or email and let us know when to begin.

*What if an emergency arises, and we need more from the fund than the calculated annual amount?*

OCF’s investment program is designed for a true endowment that will be sustained in perpetuity. Endowment funds are *not* intended to be used as emergency or operating reserves. We strongly advise organizations establishing an endowment at OCF to first ensure that they have adequate reserve funds in place.

*Can we still take a distribution if the fund balance falls below the total amount of additions to the fund?*

Yes. Endowment distribution rates are intentionally modest in order to be sustainable in perpetuity. Our investment model takes annual distributions into consideration, with the understanding that there may be occasional market downturns.

*Does OCF offer direct deposit for our regular distributions?*

Not at this time. Currently, we print and mail checks.

**Financial Reporting**

*How do we report this fund on our financial statements and IRS Form 990?*

OCF cannot provide legal, tax or other professional advice. Instead, we encourage organizations to work with their own professional advisers.

OCF presents endowment partner funds as an asset and a liability (instead of a net asset) on its audited financial statement, in accordance with GAAP. However, OCF’s IRS Form 990 reporting does include
endowment partner funds. Our audited financial statement and IRS Form 990 are available at www.oregoncf.org.

**Fundraising**

*Can OCF assist us with our fundraising campaign to build the endowment?*

OCF does not directly fundraise for partner organizations. However, endowment partners may receive guidance from OCF on complex gift transactions (i.e., anything other than cash or marketable securities). OCF’s charitable gift planners are available to meet with our endowment partner’s donors to discuss contributing through a charitable remainder trust or charitable gift annuity.

**Grants**

*As an endowment partner, how can we receive grants from OCF’s donor advised funds?*

Nonprofits cannot apply directly to most advised funds. However, a few advised funds do have a specific grant application process. To learn more, visit www.oregoncf.org.

We encourage nonprofits to review the application guidelines for our Community Grant Program and other OCF grant programs. Please note that applications submitted to the Community Grant Program will provide the widest exposure to advised funds. Twice a year, proposals are matched with donors’ interests and shared with advised fund donors.

If a nonprofit’s mission or program does not fit well with the Community Grant Program or other grant program guidelines, OCF staff will invite the nonprofit to submit a one-page summary or additional information that would be useful in sharing with donors. OCF’s donor relations officers will use discretion in sharing nonprofit information with donors.

**Legal**

*Who owns the endowment partner fund?*

OCF is an Oregon nonprofit corporation. Endowment partner endowments are OCF funds established by charitable organizations in Oregon to serve as their endowments. OCF maintains variance power and legal ownership of these endowments and reports the funds as assets. In accordance with Accounting Standards Codification® 958-605-25-21 (formerly the Statement of Financial Accounting Standard No. 136), a liability has been established on the financial statements of OCF for the fair market value of the endowments, which is generally equivalent to the present value of expected future payments to the charitable organizations.
Does variance power mean that OCF can redirect our fund to support another organization?
Variance power allows OCF to assign a successor beneficiary of a fund in cases where the organization that created the fund dissolves, loses its public charitable status, is incapable of fulfillment, or is inconsistent with the charitable, educational and scientific needs of the state of Oregon.

Can our organization use the endowment fund at OCF as collateral on a loan or line of credit?
No. Because the fund is legally owned by OCF, it may not be encumbered by another organization.

What happens to the endowment fund if our organization dissolves?
When an organization dissolves or loses its public charitable status, OCF will seek the advice of any remaining board members to identify a successor beneficiary of the fund. OCF will then exercise its variance power to assign a new beneficiary.

Statements

Why does it take so long to receive reports?
The process of posting investment activity to each fund is lengthy. First, OCF collects statements from each of our many investment managers. This process takes about four weeks due to the large size and diverse asset allocation of our investment program.

Next, our finance department carefully reviews and balances the reported activity and enters the results of that activity into OCF’s database. The database then proportionately allocates reported income, realized and unrealized gain or loss, and management fees to each fund. Once final transactions are posted, statement production may begin.

Can we receive our statements electronically?
Yes, through our online portal, Endowment Partner View (EP View). Once we produce quarterly statements, an automated email will announce that the statements are available for download.

If you would like to receive online statements, please contact your OCF representative.
SUGGESTED READING

General


Legal
- Oregon Revised Statutes  
  www.oregonlaws.org/ors/128.305
- Unified Prudent Management of Institutional Funds Act (UPMIFA)  
  www.upmifa.org

Education
- Center for Nonprofit Stewardship  
  www.nonprofitsteward.org
- Nonprofit Association of Oregon  
  www.nonprofitoregon.org
- Northwest Planned Giving Roundtable  
  www.nwpgrt.org
OCF works with individuals, families, businesses and organizations to create charitable funds to support the community causes they care about.

To create your legacy today, call your local OCF office, visit www.oregoncf.org or email giftplanning@oregoncf.org.