

Spending Policy

I. Purpose of a Spending Policy

The purpose of this policy is to describe the spending procedures and administrative fees for each component fund type at the Bartlesville Community Foundation and to define terms used to guide these processes.

This policy utilizes total return investment to select a Spend Rate (usually between 3%-6%) to calculate an annual available distribution from the BCF operating fund (D.C. & Ruth C. Smith Fund) and all component fund types. This policy details the minimum spend, minimum balance and fee structures for each fund type hosted at the Bartlesville Community Foundation (BCF/Foundation). This policy may be reviewed by the Finance Committee from time-to-time and bring proposed changes to the board for discussion/vote.

II. What is Total Return?

Total return is the combination of income, dividends, and principal change due to market fluctuation. The portfolio allocation and spending policy should complement the BCF's existing Investment Policy Statement.

III. Investment Pools

Each fund type may elect an investment pool from the options available at the time the fund is opened or at any other point in accordance with BCF policies. If no election is made, the BCF finance committee will make an election on behalf of the component fund.

IV. Distribution Calculation

The Distribution Calculation is the formula used by the BCF to determine the value of an annual distribution from a permanent fund. This calculation uses the 12-quarter average fund balance and the Spend Rate to determine a prudent distribution amount. If the life of the fund does not exceed 12 quarters, the formula will use the average of as many quarters available. Distributions may be requested from applicable fund types once every 12-month period. Funds are not required to request a distribution every 12-month period or required to accept the full distribution.

- $\text{Distribution Calculation} = 12 \text{ Quarter Average Fund Balance} \times \text{Spend Rate}$

V. Spending Policy and Fee Structure by Fund Type

1. General Operating Fund

The Bartlesville Community Foundation’s operating fund named “Ruth C. and D.C. Smith Fund” follows the Agency Fund strategy. The BCF’s treasurer and staff calculate annual distributions using the Distribution Calculation

An annual Distribution amount is calculated during the Foundation’s budget planning. The Distribution may be collected in July to be held in the high yield money market reserve account.

Special or Emergency spending requests may be considered but must be approved by the Foundation’s board.

- **Administrative Fee:** The BCF may charge the General Operating Fund a 1% administrative fee.

2. Agency Funds

- Agency Funds are component funds usually created by the agency and intended to benefit that agency. One of four spending strategies may be elected at the time of the fund’s establishment that describes the intent of the fund. The four strategies are listed below and described fully in the Agency Fund Agreement Schedule A, Spending Strategy.
 - Permanent Agency Fund
 - Follows Distribution Calculation and does not permit emergency distributions.
 - Agency Fund – Follows Distribution Calculation and does permit emergency distributions on unrestricted or temporarily restricted assets.
 - Term Agency – may be spent after a described term.
 - Reserve Fund – is not subject to spending restrictions or limited by the Distribution Calculation.

3. Affiliate Funds

- Affiliate Funds at the Bartlesville Community Foundation may be a combination of invested and non-invested funds in endowment, non-endowed, and/or fiscal sponsor-like structure.
 - **Affiliate Advisory Boards/Committees** may draft their own spending guidelines for Affiliate Agency Endowment Funds to be reviewed and

approved by the BCF board. However, the BCF recommends the guidelines as listed in this policy.

- **Sub-component Funds:** Affiliate is encouraged to recruit component funds (sub-component of the BCF) and will align with the fee structure and spending expectations of this policy. Fees assessed to a sub-component fund shall be split 50/50 between BCF and affiliate.

4. Donor Advised Funds

- Donor Advised Funds (DAFs) are established by the donor(s) and used to achieve the donor's philanthropic goals. If no grants are written from the fund after a three-year timeframe, the BCF may contact the fund holder/advisor(s) to encourage use of the fund and discuss the funds' intent. If no contact can be made between the BCF and the fund holder/advisor(s) after every possible communication attempt by the BCF, the Foundation board may vote to absorb the balance of the fund into the BCF's general fund.
 - **Traditional** – donor intends fund to be active and granting/receiving donations for many years.
 - **Temporary** – donor intends to give to the fund and grant the balance in less than 12 months. Admin fees for this fund type may be collected at the time the fund is opened.

5. Scholarship Funds

- Scholarship Funds established to support educational advancement. Criteria for scholarships awarded from these funds are outlined in the fund agreement. Scholarship funds may be Permanent or Temporary. Additional Scholarship guidelines may be found in the Scholarship Policy. Disbursements totaling up-to the distribution calculation may be made up-to twice a year.
 - **Permanent Scholarships** are established with a minimum of \$10,000 and distribute awards based on the Distribution Calculation.
 - **Temporary Scholarships** are established without a minimum and awards values are determined at the time the fund is established. Award values may be reevaluated by the fundholder or the Scholarship Committee/BCF Board from time to time.

6. Designated Funds

- Designated Funds are created by an organization or individual(s) to benefit a specifically defined charitable purpose. Details regarding the designation are

outlined by the donor or BCF Board in the fund agreement. Designated Funds may be Permanent or Temporary and may make disbursements throughout the year for up-to the Distribution Calculation or the balance of the fund.

- **Permanent Designated Funds** are established with a minimum of \$10,000 and distribute grants based on the Distribution Calculation.
- **Temporary Designated Funds** may be established with the minimum opening donation of \$2,000 and do not grant based on the Distribution Calculation.

7. Fiscal Sponsor

- Fiscal Sponsor funds are created to benefit a charitable project or initiative where the Bartlesville Community Foundation allows the charitable project or initiative to use its tax-exempt status. This is a fund that functions like the project or initiatives operating account and should adhere to the expectations of the Fiscal Sponsor Policy.

8. Field of Interest Funds

- Field of Interest Funds are created by a group or individual(s) to benefit a specific charitable purpose and usually require a formal grant process. Details regarding the beneficiary of field of interest grants (youth, elderly, arts, etc.) are outlined in the fund agreement. Disbursements totaling up-to the distribution calculation may be made up-to twice a year.
 - **Permanent Field of Interest Funds** are established with a minimum of \$10,000 and distribute grants based on the Distribution Calculation.
 - **Temporary Field of Interest Funds** may be established with the minimum opening donation of \$2,000 and do not grant based on the Distribution Calculation

9. Other Funds

- The BCF is not limited to the component fund types listed in this policy. Other component fund types may be established by the BCF board as it sees fit or as community needs demand. Details regarding the fund can be found in established agreements.



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Spending Policy Detailed by Fund Type

Fund Type	Annual Fee	Minimum Annual BCF Administrative Fee	May Elect an Investment Pool? *	Annual Spend Limit	Minimum Opening Donation	Minimum Balance to Stay Open
Agency Funds	1%	\$100	Yes	Refer to Fund Agreement	\$5,000	\$200
Affiliate Funds	1%	\$100	Yes	n/a	\$2,000	\$200
Traditional Donor Advised Funds	1%	\$100	Yes	n/a	\$2,000	\$200
Temporary Donor Advised Fund	1%	\$150	Yes	n/a	\$2,000	\$150
Permanent Scholarship Fund	1%	\$250	Yes	5%	\$5,000	\$250
Temporary Scholarship Fund	1%	\$250	Yes	Refer to Fund Agreement	Refer to Fund Agreement	\$250
Permanent Designated Funds	1%	\$100	Yes	5%	\$5,000	\$200



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Temporary Designated Funds	1%	\$100	Yes	Refer to Fund Agreement	Refer to Fund Agreement	\$200
Fiscal Sponsor Funds	4% on all income & \$2 per transaction over 50 transactions **	\$200	Yes	n/a	\$1,000	\$300
Permanent Field of Interest Funds	1%	\$100	Yes	5%	\$5,000	\$200
Temporary Field of Interest Funds	1%	\$100	Yes	Refer to Fund Agreement	\$5,000	\$200

Administrative Fees for all funds except Fiscal Sponsor Funds are assessed at 1% for the first \$1,000,000. For balances of \$1,000,001 and up the fee will drop to .5%.

* Investment fees are carried through to the fund. All funds that have elected an investment pool option may be charged an fee by the financial institution holding the assets in addition to the BCF administrative fee.

**Fiscal Sponsor Fee Chart Detail

Fee	Income by Quarter	
4%	\$0-\$250,000	
2%	\$250,001 - \$500,000	Plus \$2 per
1%	\$500,001 - \$1,000,000	transaction
0.50%	\$1,000,001 - \$5,000,000	over 50
0.25%	\$5,000,001 or greater	transactions

Fee is calculated based on income and activity per quarter.

Transaction is defined as any single item in our out of the fund.

VI. Calculating Administrative Fees

Administrative fees are fund specific. Fees are calculated and charged quarterly. The fund may elect to pay administrative fees by invoice upon approval by Foundation staff.

- Percent balance is calculated as $\frac{1}{4}$ of the annual fee charged using the quarter end balance.
 - For example, Quarterly Fee = $.25\% \times \text{Average Quarter Fund Balance}$
- Percent income fees (fiscal sponsors) are calculated as a percent of the deposits in that quarter plus any applicable transaction fees.
 - For example, Quarterly Fee = (donations to the fund x 4%) + (\$2 x (# of transactions over 50))

VII. Minimum to Stay Invested

The minimum balance for a fund that elects to be invested is \$2,000. If the balance drops below that minimum, it may be pulled from the BCF's investment account. The fund may be returned to the investment pool if the balance is raised to exceed \$2,000. Invested funds may drop below \$2,000 no more than twice in one 12-month period before it may be permanently pulled from the investment pool and managed from another BCF account where it may not be eligible to capture interest/earnings.

VIII. Creation of a Fund

Upon establishment of any fund, donor(s) irrevocably transfer property that follows the guidelines of the BCF's gift acceptance policy. The Foundation has the right to reject any gift. The Foundation may receive additional irrevocable gifts of property acceptable to the Foundation to the funds at any time from a donor or any other source. All contributions to a fund shall be administered pursuant to the terms and conditions of the fund agreement and shall be held by the Foundation. All transfers and contributions to a fund at the Foundation shall be irrevocable once accepted by the Foundation.

IX. Purpose of a Fund

The purpose of a Fund is to support organizations that engage in charitable activities which are consistent with the charitable purposes of the Foundation. Generally, grants may be made to:

- Organizations described in Section 170(b)(1)(A) (other than certain supporting organizations);
- Organizations not described in Section 170(b)(1)(A) if expenditure responsibility is exercised;
- The Foundation; and/or
- Other funds affiliated with and controlled by the Foundation

X. Variance Power

The BCF Board holds variance power over all donations made to and any distributions from a component fund. All gifts shall be owned by the BCF and reported by the BCF as defined by law. The Foundation does not currently permit the use of its banking or investment accounts to funds that may be owned by another charitable entity.

XI. Memorial Funds:

Donations in memory of an individual following their passing may be accepted by the BCF and earmarked to establish a component fund as soon as possible following the death of the honoree. If minimum requirements are not met to open a component fund, the memorial donations may be added to an existing fund at the Foundation or be used to make a qualifying one-time grant.

XII. Requesting a Grant/Spending Authority:

Grant requests shall be made in writing, via e-mail, or through the fund advisor portal account by an authorized fund advisor/holder to the BCF office for processing in accordance with the BCF's internal grant processing procedures and Grantmaking Due Diligence Policy. If additional

information is necessary to fulfill the request, the BCF will contact the fund advisor for supporting documents. Minimum grant request is \$10.

XIII. Investment Election and Management Fee:

Funds may choose to be invested. If fundholders elect to be included in a BCF investment option an investment management fee may be charged. The investment management fee is determined by the financial institution managing the BCF's investments in addition to any BCF administrative fees. The financial institution that manages the BCF's investments is selected through the completion of an RFP process and guided by an Investment Policy Statement. This fee may change based on the fee structure established by the investment institution. At the time of this policy, this fee is .50%.

XIV. Fund Statements:

Funds with a balance in an investment solution may be provided quarterly statements to disclose fund activity. Statements may be obtained electronically through e-mail, the donor portal, or via mail.