Guidelines for Charitable Funds

These guidelines describe how to open a charitable fund with the Catholic Community Foundation of Los Angeles (the “Foundation”). We summarize the types of funds that are currently available to our customers and explain our commitment to you in managing your fund investments, your grant making, and your charitable distribution activities. Above all, our Foundation is dedicated to the highest levels of service to meet the charitable objectives of each of our customers. Your funds are customized, and the terms and conditions are carefully negotiated with us.

Establishing and Funding a Charitable Fund

1. **Creating a Fund.** A fund at our Foundation is created with an agreement between the founding donor and us to establish the fund. This agreement describes the type of fund, its purpose, who the fund advisers (if any) are, and any other attributes of the fund. The minimum contribution to establish a new charitable fund is $10,000 unless the Foundation agrees that special circumstances justify establishing a fund with a smaller amount.

2. **Adding to a Fund.** Once a fund is established with us, the founding donor and others may make contributions at any time, in a minimum amount of $500, using any of the following gift methods: cash, closely held stock, publicly traded securities, mutual funds, personal property, real estate, and other assets that are consistent with our Gift Acceptance Policy. We have forms for you to use in making additional contributions.

3. **Charitable Deduction.** Our Foundation is classified as a public charity under Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code (the “Code). We are not a private foundation; therefore, all gifts to it may entitle donors to maximum tax deductibility. A contribution to our Foundation or to a specific fund in our Foundation generally is subject to the following limitations, which are subject to changes in the Code:
   a. Individuals are eligible for an itemized deduction for cash contributions up to 50% of their adjusted gross income (AGI) in the tax year in which the contribution is made.
   b. Deductions for contributions of other assets, including appreciated securities held for more than 1 year, are limited to 30% of AGI.
   c. Any excess amounts beyond this AGI limitation may be carried forward and deducted in the 5-year period after the year of the contribution.
d. An individual’s ability to claim itemized deductions may be subject to certain other limitations, so we encourage you to consult your accountant or tax adviser.

e. Income that accrues to a charitable fund created at our Foundation is not available to the donor as a charitable deduction.

f. Generally, a donor-advised fund’s voting or profit interests in a business enterprise, when combined with such interests of the donor or persons related to the donor, may not exceed 20%. Thus, the donor’s ability to hold such assets in a segregated account may be limited.

4. **Gift Acceptance.** All gifts to any funds in our Foundation are subject to completion of our due-diligence procedures and compliance with our Gift Acceptance Policy. Any costs incurred by our Foundation to evaluate, acquire, or sell a complex gift asset, such as real estate, a partnership interest, or closely held stock, will reduce the net proceeds credited to the beneficiary fund.

5. **Planned Gifts and Legacy Society.** A donor may name our Foundation as the beneficiary of a bequest or other planned-giving instrument to support an individual charitable fund or for any of the types of funds offered below. As agreed to with the donor, our Foundation recognizes such planned gifts through a legacy society, affinity groups, and donor circles.

**Types of Funds**

Our Foundation strives to design and provide charitable gift options that meet the goals, aspirations, and expectations of our donors. Currently, we offer the following fund options:

- Donor-Advised Funds
- Agency Funds
- Community Funds
- Restricted Endowment Funds
- Scholarship Funds

1. **Donor-Advised Funds.** With the enactment of the Pension Protection Act of 2006, donor-advised funds are now one of the fastest-growing areas of charitable gifting and are subject to the requirements under Sections 4966 and 4967 of the Code. The following are our Foundation’s procedures for administering donor-advised funds:

   a. **Fund Adviser(s).** Upon establishing a donor-advised fund, the founding donor or donors may authorize one or more fund advisers to access information regarding the fund and make grant recommendations. These individuals are typically named in the agreement creating the fund.

      i. **Grant Recommendations by Individuals Other Than the Donor(s).** A donor may, in writing, designate another party to recommend grants to charitable organizations. These person(s) will possess the full authority
to recommend grants at any time and in any amount from the specified fund, and they will retain their authority until the donor provides written revocation.

ii. **Death or Incapacity of Primary Adviser(s).** Options for handling a donor-advised fund after the death or incapacity of the founding primary adviser(s) include:

1. **Community Fund.** If a successor has not been appointed by the founding donor(s), upon notification of the fund adviser’s death or incapacity, the fund will become a permanent fund under the guidelines of our Foundation’s Type 1 Community Fund, which distributes grants in perpetuity to qualified charitable organizations addressing the most pressing charitable needs aligned with the mission of the Archdiocese of Los Angeles.

2. **Specified Fund Purpose.** In the agreement, the founding donor may designate the purpose of the fund after his or her death or incapacity, in which case the donor has chosen the option to designate either broad fields of interest or specific organizations to receive support from the fund.

iii. **Successor Advisers.** A founding fund adviser may designate successor advisers who may take on the role of the primary adviser upon the primary donor’s death or incapacity. Primary advisers may designate up to one generation of successor advisers (including children, partners, or other descendants, heirs, or representatives).

1. **Structure for Succession.** The founding donor(s) may appoint an individual or an advisory committee to act as successor adviser(s).

2. **Grants Limited to Spending Policy Amount.** Unless otherwise specified, upon the death or incapacity of the primary adviser(s), grants from the fund become subject to our spending policy for permanent funds.

3. **Verification of Status.** Successor adviser(s) will provide written notification and proof of the primary adviser’s death or incapacity before assuming the rights and duties associated with advising the fund.

iv. **Donor Intent.** Our Foundation ensures that the donor’s intent is carried out after a donor’s death or incapacity by documenting and maintaining records of donor intent in our permanent records. In this manner, we assure that successor adviser(s) abide by the charitable purposes of the fund designated by the fund’s founding donor(s).

b. **Recommending Grants.** For most types of funds, donors may submit a Grant Recommendation Form by fax, mail, or online and may begin recommending grants as soon as they have established a fund and have the required minimum balance. Consistent with federal tax-law requirements, our Foundation may accept or reject recommendations of the donor or its committee in its sole and absolute discretion.

i. **Eligible Grant Recipients.** Only qualified public charities and private operating foundations may receive grants from a fund at our Foundation.
Qualified charities generally include those described in Sections 501(c)(3) and 170(b)(1)(A) of the Code (other than certain supporting organizations), as well as certain governmental organizations. Examples include religious, educational, public service, and other charitable organizations aligned with the mission of the Archdiocese of Los Angeles.

ii. **Due Diligence.** Our Foundation performs a due-diligence review on each organization a donor recommends for support. As part of this process, our Foundation may review the organization’s tax-return filings, exemption application, mission statement, website, list of officers and directors, current financial statements, and other materials. If an organization cannot provide evidence of qualifying charity status or concerns are raised about an organization’s financial accountability, our donor will be notified that a grant cannot be awarded.

iii. **General Grant Information.** The minimum amount for a grant is $100. There is no limit on the number of grants that may be made from a fund. All grants are made payable on checks bearing the name Catholic Community Foundation of Los Angeles and are accompanied by a letter from us referencing the fund name unless anonymity is requested. A copy of the award letter is sent to the fund’s primary contact.

iv. **Timing of Grants.** The Foundation will process grants weekly. Generally, each grant will be processed within 4 to 6 business days after receipt of the request. Grants requested at the end of each calendar year may take longer to process due to increased volume. Some grants (particularly international grants and other nonstandard grant situations) may take longer to process due to additional due-diligence requirements.

v. **Nonstandard Grant Situations.** The following grants have additional complexity and due-diligence requirements:

1. **New Organizations.** Recently created public charities that are within their initial ruling period for tax exemption are subject to additional due-diligence review.

2. **Donor Affiliations.** In order to assure that no personal benefit is derived from a grant, our Foundation may require additional due diligence, documentation, and agreements with recommended public charities if the donor or individuals related to the donor are members of the organization’s board or staff.

3. **Grants of $1 Million or More.** Grant requests of $1 million or more receive additional review by the Foundation’s executive staff and/or board members.

4. **Grants to International Charities.** Our Foundation may distribute grants to international charitable and nongovernmental organizations. However, we require that the international charity provide written confirmation that its activities are “equivalent” to those for public charities in the United States. The Foundation complies with specific federal legal standards for review of international grantees.
5. **Multiyear Grants.** A donor may request that our Foundation make a multiyear grant commitment from a donor-advised fund to a public charity. In such cases, our donor’s fund must have sufficient resources at the time of the request to make all of the required payments, which are then treated as a grant payable from the fund. Multiyear grants are subject to review by the Foundation’s executive staff and investment committee.

6. **Grant Agreements.** In certain situations, our Foundation may enter into a grant agreement with a recommended public charity to document the purposes of the grant and the obligations of the grantee charity.

7. **Extraordinary Distributions.** When a donor requests a distribution of all or substantially all (greater than 80%) of a fund’s liquid assets, less outstanding commitments, our Foundation will apply the “80/20 Payout Rule.” Under the 80/20 Payout Rule, we typically will process a disbursement for 80% followed by a disbursement for 20% over a 2-to-6-week period.

c. **Ineligible Donor-Advised-Fund Grant Disbursements.** The following are types of grants that are ineligible to be processed through a donor-advised fund:

i. **Grants and Scholarships to Individuals.** Grants and scholarship awards may not be made from donor-advised funds to benefit specific individuals. Subject to the limitations of the Pension Protection Act of 2006, certain grants for individuals, scholarships, and disaster relief may be made by funds that do not fall within the definition of donor-advised funds (e.g., committee scholarship funds).

ii. **Grants to Private Foundations.** Our Foundation does not make grants to private, nonoperating foundations from its donor-advised funds. However, the Foundation may make grants from a donor-advised fund to a private, operating foundation.

iii. **Grants Providing a Personal Benefit to the Donor.** Federal law prohibits the use of donor-advised-fund grants that provide anything more than an incidental benefit to the donor or related parties. Common examples of prohibited benefits include the tickets for charitable events or goods purchased at charitable auctions, as well as expense reimbursements to donors, advisers, and related parties, even if the expenses were incurred in furtherance of a charitable purpose.

iv. **Political Activities.** Grants from donor-advised funds cannot be made for lobbying purposes, to political action committees, or to support political campaigns.

2. **Agency Funds.** These are funds provided by nonprofit organizations to be invested for the benefit of the nonprofit organization.

3. **Community Funds.** These are funds gifted by donors to the Foundation. Grants from these funds are made not more than semiannually to charitable organizations that are aligned with the mission of the Archdiocese of Los Angeles and serve those with the highest priority of need. Community funds may be given in the following ways:
a. **Unrestricted Funds.** These are donated funds over which our Foundation has complete discretion in grant making.

b. **Field of Interest Funds.** These are funds that specify an interest area that can be either broadly or narrowly defined by the donor. The donor gives our Foundation discretion to make grants within the interest areas identified, such as education, healthcare, social services, and the like.

4. **Restricted Endowment Funds.** These are donated funds that specify one or more nonprofit organizations to be supported by the fund. Grants are made by the Foundation not more than semiannually to the specified organizations. If our Foundation determines that any of these organizations a) is no longer a charity, b) is no longer fulfilling the charitable purposes intended by the donor, c) has purposes that are obsolete, and/or d) is serving community needs that have changed, our Foundation may change the purpose of the fund to another aligned charitable purpose.

5. **Scholarship Funds.** Donors may create scholarship funds to support student education at qualified educational institutions for students in pre-K through graduate programs at universities and vocational schools. Scholarships, which are made by the Foundation not more than semiannually, are generally funded to the school and not the student. Such funds must have defined eligibility criteria for awarding scholarships.

**Spending Policy on Funds**

The types of funds described above may be treated differently for purposes of determining the amount of grant disbursements that may be made in any given year. Any type of fund can have permanent and nonpermanent funds as specified in the documents when creating a fund. The following general guidelines apply:

- **Permanent Funds.** These are funds that often create “endowments,” or funds that are available over a long period of time because only a portion of their value each year is awarded in grants. Our board of directors determines the annual spending amount. Typically, the spending amount will range between 3% and 5%. Under applicable law, spending more than 7% is presumptively imprudent.

- **Nonpermanent Funds.** These are funds that provide for the distribution of income and/or principal of the fund, allowing for spending of the entire value in the form of charitable disbursements.

**Fund Investments**

As the fiduciary for its charitable funds, our Foundation is responsible for assuring that our investment strategy agrees with the charitable purposes and philanthropic goals of a fund. To enhance efficiency and reduce the cost of operations, contributions to funds are pooled with other contributions of other donors for investment management and administrative purposes.
1. **Types of Investment Funds.**
   a. **Balanced Pool.** Upon creating a type of fund, the Foundation may assign the contribution to that fund to its Balanced Pool, which is designed for the longer-term investor.
   b. **Intermediate Fund.** Designed to earn competitive returns within risk tolerances established by the Foundation, this type of fund preserves charitable-giving potential by striving for medium-term (18 to 36 months) returns that match or exceed recommended annual distribution requirements, fees, and inflation.
   c. **Short-Term Investment Fund (STIF).** Upon creating a nonpermanent type of fund, the Foundation may assign a portion of that contribution to an investment fund that is designed to preserve capital and provide for high liquidity.

2. **Investment Oversight.** The investment committee of the Foundation advises and closely monitors the performance of the managers within our Balanced Pool and compares them with benchmarks identified for each asset class or investment goal. The investment committee decides on the allocation of the Foundation’s assets among asset classes and investment managers, reviews investment performance, and has the discretion to change allocations and investments at any time. The investment committee also oversees the creation and performance of STIF and Intermediate Fund options. The investment committee is advised by Callan Associates Inc., which acts as the Foundation’s investment consultants.

3. **Allocating Investment Returns.** Each type of fund’s investment returns and expenses are represented by a percentage of its participation in the Balanced Pool, the Intermediate Fund, or the STIF. The percentage in either case is determined by calculating a fund’s average daily balance (ADB) relative to the pool’s total ADB over a certain period. Under the ADB concept, a fund receives an allocation of investment results and expenses for the month during which the fund participates in the pool.

**Fund Administration**

1. **Financial Reporting.** Every month, our donors receive a statement of their fund’s financial activity, including investment returns, contributions, grants, and expenses. These reports, which are available securely online, include the following information:
   a. **Administrative and Investment Fees.** Our Foundation charges each fund an administrative fee. This is usually an annual percentage of the value of a fund, assessed quarterly, and payable at the beginning of the quarter. In some cases, funds are established with fees based on the volume of activity, such as on grants or contributions (e.g., scholarships). Our Foundation also incurs investment-management costs for investments that are shared by each fund. All of these fees are carefully explained and priced in the Investment Policy Statement.
   b. **Costs and Expenses.** Other fees may be charged to a fund for specialized or custom services. Additional items typically relate to particular requirements of a fund or the assets gifted to it. For example, with a gift of real estate, there will be costs such as title-insurance fees, taxes, broker fees, property administration.
fees, attorneys’ fees, and other costs. Similarly, a gift of stock or mutual-fund shares will incur costs in the liquidation of these assets.

2. **Fund Inactivity.** If a fund adviser has not recommended grants from a fund for 3 consecutive years and has not responded to our Foundation’s attempts to contact the adviser at least 3 times for a grant recommendation, the fund will be closed and the proceeds transferred to our Foundation’s Community Fund, which is a general fund benefiting the greatest needs aligned with the mission of the Archdiocese of Los Angeles.

3. **Fund Closing.** Subject to the agreement terms and our Foundation’s policies, a fund’s adviser may recommend that the entire balance of a fund be disbursed and the fund closed. Our Foundation follows special procedures in such instances to allow for market-value fluctuations, expenses not yet allocated to the fund (such as investment-manager fees), investment income, and other activity that affects a fund’s net asset amount. When a donor requests a distribution of all or substantially all (greater than or equal to 80%) of a fund’s liquid assets, less outstanding commitments, our Foundation will apply the “80/20 Payout Rule.” Under this rule, we typically process a disbursement for 80% of the distribution followed by a disbursement of 20% over a 2-to-6-week period.

**Fees**

Funds will be charged for administration costs as follows, and all fees are net of investment expenses, which are charged separately and are subject to market conditions:

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Annual Fee Structure</th>
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| Donor Advised—Permanent    | 1.25% of assets up to $1M  
0.75% of assets > $1M < $5M  
0.50% of assets > $5M < $20M  
0.25% of assets > $20M < $40M  
0.15% of assets > $40M  
Assessed quarterly in advance on the fund balance from the beginning of the quarter, except for the first payment, which shall be assessed from the date of the gift to the end of the quarter in which the gift is made, with a minimum fee of $750/year. |
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<tr>
<th>Fund Type</th>
<th>Annual Fee Structure</th>
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| Donor Advised—Nonpermanent                    | 2.00% of assets up to $1M  
1.50% of assets > $1M < $5M  
1.00% of assets > $5M < $20M  
0.75% of assets > $20M < $40M  
0.50% of assets > $40M  
Assessed quarterly in advance on the fund balance from the beginning of the quarter, except for the first payment, which shall be assessed from the date of the gift to the end. |
| New Philanthropist Donor-Advised Fund—Nonpermanent | 1.25% of assets up to $10K  
Assessed quarterly in advance on the fund balance from the beginning of the quarter, except for the first payment, which shall be assessed from the date of the gift to the end. |
| Agency Funds (managed only)                    | 0.75% of assets < $5M  
0.50% of assets > $5M  
Assessed quarterly in advance on the fund balance from the beginning of the quarter, except for the first payment, which shall be assessed from the date of the gift to the end of the quarter in which the gift is made, with a minimum fee of $625/quarter. |
| Community Funds—Permanent                      | 1.00% of 12-quarter trailing average fund balance  
Assessed annually on July 1 with a minimum fee of $750/year. |
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<th>Fund Type</th>
<th>Annual Fee Structure</th>
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<tr>
<td>Community Funds—Nonpermanent</td>
<td>2.00% of assets up to $1M</td>
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<td>1.50% of assets &gt; $1M &lt; $5M</td>
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<td></td>
<td>1.00% of assets &gt; $5M &lt; $20M</td>
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<td>0.75% of assets &gt; $20M &lt; $40M</td>
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<td>0.50% of assets &gt; $40M</td>
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<td>Restricted/Field of Interest</td>
<td>Assessed quarterly in advance on the fund balance from the beginning of the quarter,</td>
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<td>except for the first payment, which shall be assessed from the date of the gift to the</td>
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<td>end of the quarter in which the gift is made, with a minimum fee of $1,500/year.</td>
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<tr>
<td>Restricted Endowment Funds</td>
<td>1.25% of assets up to $1M</td>
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<td>0.75% of assets &gt; $1M &lt; $5M</td>
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<td>except for the first payment, which shall be assessed from the date of the gift to the</td>
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<td>end of the quarter in which the gift is made, with a minimum fee of $750/year.</td>
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<tr>
<td>Scholarships</td>
<td>Fees are based on the complexity of the donor’s scholarship program. Please inquire.</td>
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Conflict of Terms

In the event of any inconsistency between the terms of these guidelines and our Foundation’s Articles of Incorporation, Bylaws, or other specific policy statements, the terms of the Foundation’s Articles of Incorporation, Bylaws, or other policy statements will govern. This document may be updated from time to time by us. Exceptions to these guidelines governing the process for accepting gifts, creating funds, or other related matters may be made only by written agreement with our authorized staff. The laws governing charitable funds continue to undergo change; therefore, any change in law or the interpretation thereof may require our Foundation to take action not specified in these guidelines.

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