



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

### Establishing and Funding a Charitable Fund

1. **Creating a Fund:** A fund with us is created by specific agreement with the founding donor. This agreement describes the type of fund, its purpose, who the fund advisors (if any) are, and any other attributes of the fund. The minimum contribution to establish a new charitable fund is \$10,000 (\$25,000 for a Scholarship Fund, and \$2,000 for the New Philanthropist Donor-Advised Fund program). For more details, please refer to the table of funds and fee structures at the end of this document.
2. **Adding to a Fund:** Once a fund is established with CCF-LA, the founding donor and others may make contributions at any time, 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.
3. **Charitable Deduction:** We are 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 us may entitle donors to maximum tax deductibility. A contribution to us or to a specific fund in CCF-LA generally is subject to the following limitations, subject to changes in the Code:
  - a. Individuals are eligible for an itemized deduction for cash contributions up to 60% of their adjusted gross income (AGI) in the tax year in which the contribution is made, subject to regulatory changes.
  - b. Deductions for contributions of other assets, including the full market value of appreciated securities held for more than 1 year, are limited to 30% of AGI, subject to regulatory changes.
  - c. Appreciated property can be deducted for the fair market value.
  - d. Any excess amounts beyond this AGI limitation may be carried forward and deducted in the 5-year period after the year of the contribution.
  - e. An individual’s ability to claim itemized deductions may be subject to certain other limitations, so we encourage our clients to consult with their accountant or tax advisor.

- f. Income that accrues to a charitable fund created at CCF-LA is not available to the donor as a charitable deduction.

4. **Gift Acceptance:** All gifts to any funds at CCF-LA are subject to completion of our due-diligence procedures and compliance with our Gift Acceptance Policy. Any costs incurred by us 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 fund.
5. **Planned Gifts:** A donor may name CCF-LA as the beneficiary of a bequest or other planned-giving instrument for contributing to Donor-Advised Funds, Designated Funds, and Scholarship Funds as described below.

## Types of Funds

CCF-LA strives to design and provide charitable gift options that meet the goals, aspirations, and expectations of our clients. Currently, we offer the following fund options:

- Donor-Advised Funds—Permanent and Nonpermanent
- Designated Funds—Permanent and Nonpermanent
- Scholarship Funds
- Agency Funds

1. **Donor-Advised Funds:** Today, donor-advised funds (DAFs) are one of the fastest-growing areas of charitable gifting and are subject to the requirements under sections 4966 and 4967 of the Code. DAFs provide donors with the flexibility of gifting with an immediate tax advantage while deferring grant distributions to selected charities over time. The following are CCF-LA's procedures for administering DAFs:

- a. **Permanent and Nonpermanent DAFs:** Our clients have the option of a **Permanent DAF**, which functions like an endowment, preserving the corpus with spending guidelines to make grants in perpetuity to the intention for which the fund was established, and a **Nonpermanent DAF**, which is designed much like a charitable-giving checkbook to fund the near-term grants intended.
- b. **Fund Advisor(s):** Upon establishing a DAF, the founding donor(s) may authorize one or more fund advisors to access information regarding the fund and make grant recommendations. These individuals are named in the DAF agreement.
  - i. **Grant Recommendations by Individuals Other Than the Donor(s):** A donor may, in writing, designate another party to recommend grants to charitable organizations. This designation can be revoked at any time in writing.
  - ii. **Successor Advisors:** A founding DAF advisor may designate successor advisors who may take on the role of the primary advisor *upon the primary donor's death or incapacity*. Primary advisors may designate up



to three generations of successor advisors (including children, grandchildren, 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 advisor(s).
  2. **Grants Limited to Spending-Policy Amount:** Unless otherwise specified, grants from the fund become subject to our spending policy for permanent funds.
  3. **Verification of Status:** Successor advisor(s) will provide written notification and proof of the primary advisor's death or incapacity before assuming the rights and duties associated with advising the fund.
- iii. **Death or Incapacity of Primary Advisor(s):** Options for handling a donor-advised fund *after the death or incapacity* of the last named advisor include:
1. **Board Administration:** If a successor has not been appointed by the founding donor(s), the DAF will continue to be either a permanent or nonpermanent CCF-LA fund with oversight by our Board of Directors to ensure the client's initial intentions are met.
  2. **Final Distribution:** In the agreement, the founding donor may designate a final distribution plan for assets remaining in the fund.
  3. **Distribution of Balances to CCF-LA's Catholic Community Endowment Fund:** In the agreement, the founding donor may designate that outstanding balances be transferred to the CCF-LA Catholic Community Endowment, which distributes grants in perpetuity to the needs of entities in the Archdiocese of Los Angeles.
- c. **Donor Intent:** We ensure 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 advisor(s) abide by the charitable purposes of the fund designated by the fund's founding donor(s).
- d. **Recommending Grants:** For DAFs, clients may begin recommending grants as soon as they have established a fund and have the required minimum balance. A Grant Recommendation Form may be submitted by fax, email, or mail. Consistent with federal tax-law requirements, we may accept or reject recommendations of the DAF advisor(s) in our sole and absolute discretion.
- i. **Eligible Grant Recipients:** Only qualified public charities may receive grants from a DAF at CCF-LA. 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 and Catholic entities included in P.J. Kenedy & Sons' The Official Catholic Directory. Examples include religious, educational, public-service, and other charitable organizations aligned with the faith and mission of the Catholic Church.

- ii. **Due Diligence:** We perform due-diligence review on each organization a donor recommends for support. As part of this process, we 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 charitable 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 \$250 (\$100 for the New Philanthropist DAF program). There is no limit on the number of grants that may be made from a DAF. 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 also sent to the DAF's primary contact.
- iv. **Timing of Grants:** Our staff processes grants upon receipt. Generally, each grant will be processed and funded within 5 business days after receipt of the request. 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, we 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 to International Charities:** We 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. We must comply with specific federal legal standards for review of international grantees.

4. **Multiyear Grants:** A donor may request that we make a multiyear grant commitment from a DAF. 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 CCF-LA's executive staff and Investment Committee.

5. **Grant Agreements:** In certain situations we 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.
  6. **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, we will apply the "80/20 Payout Rule." Under the 80/20 Payout Rule, we typically will process a disbursement for 80% of the fund's value followed by a disbursement for the remaining 20% over a 2-to-6-week period.
- e. **Ineligible DAF-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 DAFs 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:** CCF-LA does not make grants to private, *nonoperating* foundations from its DAFs. However, CCF-LA 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 DAF grants that provide anything more than an incidental benefit to the donor or related parties. Common examples of prohibited benefits include tickets to charitable events or goods purchased at charitable auctions, as well as expense reimbursements to donors, advisors, and related parties, even if the expenses were incurred in furtherance of a charitable purpose.
  - iv. **Political Activities:** Grants from DAFs cannot be made for lobbying purposes, to political-action committees or to support political campaigns.
  - v. **Grants not aligned with the mission of the Church:** Grants from DAFs cannot be made for purposes that are inconsistent with Catholic values.

2. **Designated Funds:** These are donated funds on either a permanent or nonpermanent basis that are designated for specific purposes. Grants are made by CCF-LA according to the terms and conditions outlined in the fund documents. If CCF-LA determines that any of the designated charities 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, we may direct the use of the funds to another charitable purpose aligned with the donor’s intent.

3. **Scholarship Funds:** Donors may create **permanent** or **nonpermanent** scholarship funds to support student education at qualified educational institutions offering pre-K through graduate programs at universities and vocational schools. Scholarships are funded not more than semiannually and paid to the school, not the student beneficiary. Such funds must have defined eligibility criteria for awarding scholarships.
4. **Agency Funds:** These are funds provided by nonprofit organizations to be invested for their benefit.

### 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. Funds can be permanent or nonpermanent 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 determines the annual spending amount based on prevailing conditions for similar funds. Typically, the spending amount will range between 3% and 5%; 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 charitable funds, we are 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 typically pooled with other contributions of other donors for investment management and administrative purposes.

#### 1. Types of Investment Funds

- a. **Balanced Pool:** For clients with a long-term granting horizon, such as an endowment, we offer a Balanced Pool that is in the range of 70%–75% equities and 25%–30% bonds; the pool advisor is Callan and the custodian is Union Bank.
- b. **Intermediate Fund:** Designed to earn competitive returns within risk tolerances, this 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. This fund is invested in the range of 30% high-quality equities and 70% high-quality, low-duration bonds.
- c. **Short-Term Investment Fund (STIF):** Upon creating a nonpermanent fund,

clients that expect to grant within one year may opt for this investment fund, which is designed to preserve capital and provide for high liquidity.

2. **Investment Oversight:** Our Investment Committee advises and closely monitors the performance of the managers within our Balanced Pool and other funds, comparing the results with benchmarks identified for each asset class or investment goal. The Investment Committee decides on the allocation of our 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 is advised by Callan, which acts as our investment consultant. Disclosure Statements are issued monthly for the Balanced Pool and the Intermediate Fund with transparency regarding fees and expenses as well as the risk profiles in each fund.
3. **Allocating Investment Returns:** Each of our funds' investment returns and expenses are represented by a percentage of its participation in the Balanced Pool, the Intermediate Fund, or the STIF. The percentage is determined by calculating a fund's average daily balance (ADB) relative to the pool's total ADB over a certain period of time. 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:** Our clients have online access to their account activity and also receive a month-end statement of their fund's financial results, including investment returns, contributions, grants, and expenses. These reports, which are available securely online, include the following information:
  - a. **Administrative and Investment Fees:** We charge 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). We also incur investment-management costs for investments that are shared by each fund. All of these fees are carefully explained and priced in the Disclosure Statement and the fund documents.
  - b. **Costs and Expenses:** Other fees may be charged to a fund for specialized or custom services. 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 for the liquidation of these assets.
2. **Fund Inactivity:** If a fund advisor has not recommended grants from a fund for 3 consecutive years and has not responded to CCF-LA's attempts to contact the advisor at least 3 times for a grant recommendation, the fund will be closed and the proceeds transferred to either a) our Catholic Community Endowment fund, which is a general fund benefiting the greatest needs of charitable entities in the Archdiocese of Los Angeles or b) another fund at CCF-LA that may be closely aligned with the initial donor's intentions.

3. **Fund Closing:** Subject to the agreement terms and our policies, a fund's advisor may recommend that the entire balance of a fund be disbursed and the fund closed. We follow

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, CCF-LA will apply the “80/20 Payout Rule.” Under this rule, we process an initial disbursement for 80% of the distribution followed by a disbursement of the remaining 20% over a 2-to-6-week period.

**Administrative Fees**

Fees are negotiable based on fund balances and relationships with clients and are priced to cover expenses. Fees paid to us benefit the mission of CCF-LA and its operations. Administrative fees are separate from investment expenses, which are charged separately.

**Conflict of Terms**

In the event of any inconsistency between the terms of these guidelines and our Articles of Incorporation, bylaws, or other specific policy statements, the terms of our Articles of Incorporation, bylaws, or other policy statements will govern. Those documents are available by request. The Guidelines for Charitable Funds may be updated by us from time to time. 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 us to take action not specified in these guidelines.

Fund Type	Annual Fee Structure
<p><b>Donor-Advised Fund—Permanent</b>            \$10,000 opening deposit            \$5,000 minimum balance</p>	<p>1.5% of assets up to \$1M</p> <p><i>Fees for balances greater than \$1 million are negotiated.</i></p> <p>Charged quarterly in advance on the balance at the end of the previous quarter, excepting the first payment, which shall be prorated from the initial gift date to the end of that quarter. The minimum fee is \$500/year.</p>

<p><b>Donor-Advised Fund—Nonpermanent</b>  \$10,000 opening deposit  \$5,000 minimum balance</p>	<p>2.00% of assets up to \$1M</p> <p><i>Fees for balances greater than \$1 million are negotiated.</i></p> <p>Charged quarterly in advance on the balance at the end of the previous quarter, excepting the first payment, which shall be prorated from the initial gift date to the end of that quarter. The minimum fee is \$750/year.</p>
<p><b>New Philanthropist Donor-Advised Fund—Nonpermanent</b>  \$2,000 opening deposit  \$500 minimum balance</p>	<p>1.25% of assets</p> <p>Charged quarterly in advance on the balance at the end of the previous quarter, excepting the first payment, which shall be prorated from the initial gift date to the end of that quarter. No minimum fee.</p>
<p><b>Scholarship Fund</b>  \$25,000 opening deposit</p>	<p>Fees are based on the complexity of the donor’s scholarship program. <i>Please inquire.</i></p>



<p><b>Agency Fund (managed only)</b> \$25,000 opening deposit \$10,000 minimum balance</p>	<p>.50% to .75% of assets depending on the amount and investment option(s) selected.</p> <p>Charged quarterly in advance on the balance at the end of the previous quarter, excepting the first payment, which shall be prorated from the initial deposit date to the end of that quarter. The minimum fee is \$500/quarter.</p>
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Fund Type	Annual Fee Structure
<p><b>Designated Fund—Permanent</b> \$10,000 opening deposit</p>	<p>1.5% of assets up to \$1M</p> <p><i>Fees for balances greater than \$1 million are negotiated.</i></p> <p>Charged quarterly in advance on the balance at the end of the previous quarter, excepting the first payment, which shall be prorated from the initial gift date to the end of that quarter. The minimum fee is \$500/year.</p>
<p><b>Designated Fund—Nonpermanent</b> \$10,000 opening deposit \$5,000 minimum balance</p>	<p>2.00% of assets up to \$1M</p> <p><i>Fees for balances greater than \$1 million are negotiated.</i></p> <p>Charged quarterly in advance on the balance at the end of the previous quarter; excepting the first payment, which shall be prorated from the initial gift date to the end of that quarter. The minimum fee is \$750/year.</p>

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