



## **Gift Acceptance Policy**

### **Purpose**

The purpose of this Gift Acceptance Policy is to establish the guidelines according to which the Catholic Community Foundation of Los Angeles (the “Foundation”) accepts gifts from donors.

### **Authorization**

The President, or any other person(s) designated by the Foundation’s Board of Directors, is authorized to accept gifts made to the Foundation and to approve and execute, on behalf of the Foundation, all agreements with donors in furtherance of the Foundation’s charitable purposes as set forth in the Foundation’s Articles of Incorporation and Bylaws. Acceptance of gifts other than cash or publicly traded securities shall require the signature of two (2) officers or directors of the Foundation who have no financial interest in the gift. The Foundation reserves the right to refuse any gift.

### **Policies Regarding Assets Used to Make Gifts**

#### **1. Gifts of Cash and Publicly Traded Securities**

The Foundation will accept gifts of cash and publicly traded securities in any amount.

#### **2. Other Business Interests**

The Foundation may accept gifts of stock, options, warrants, and other interests in closely held “C” corporations, “S” corporations, limited partnership interests, and limited liability company (LLC) interests, as well as notes, trust deeds, and similar assets. All such gifts will be evaluated on a case-by-case basis. Valuation of the gift for tax purposes is the responsibility of the donor. The Foundation will not provide a value for the gift in its acknowledgment letter to the donor.

- a) The Foundation will not accept a business interest that will subject the Foundation to any liability, including cash calls on limited partnerships or LLCs or other business interests that could have adverse consequences for the Foundation unless legal counsel advises differently.
- b) In the case of a business interest that is to be sold, the Foundation will not participate in the issuance of warranties, representations, indemnification agreements, or covenants not to compete unless legal counsel advises differently.

- c) General-partnership interests normally will not be accepted by the Foundation because they can present a significant legal and tax liability. The Foundation may consider structuring the transaction to avoid such liabilities.
- d) If a designated fund is created by the gift, the Foundation will charge the resulting fund the Foundation's costs associated with the Foundation's acceptance of the business interest (e.g., unrelated-business income taxes, attorneys' fees, etc.). The Foundation may request that the donor contribute additional cash or other liquid assets to the fund to pay such costs.

### 3. **Life Insurance**

The Foundation may be designated as a primary or successor beneficiary of a donor's life insurance. Insurance policies must have a minimum face value of \$10,000, and the donor must irrevocably name the Foundation as the policy beneficiary. As a condition of accepting a gift of a life insurance policy on which premiums remain due, the Foundation will require the donor to enter into a legally binding pledge to contribute to the Foundation, at least thirty (30) days prior to each premium due date, an amount sufficient to pay the premium. Premiums may be paid from accrued dividends or accumulated cash value if sufficient and so stipulated by the donor. The Foundation shall have the right to surrender, exchange, or sell any policy at any time. If the Foundation is notified that a policy is to be terminated for nonpayment of the premium, the Foundation may elect to continue to pay the premium from its unrestricted assets or use the accrued cash value of the policy to pay the premium. The Foundation will not accept gifts of insurance that are related to what is commonly referred to as a "charitable reverse split dollar" or "charitable limited partnership" plan or any other controversial charitable giving plan involving insurance without first obtaining advice from legal counsel or a ruling from the Internal Revenue Service as to the legality of the insurance plan.

### 4. **Illiquid Assets**

The Foundation may accept gifts of illiquid assets such as real estate, tangible personal property, and intangible personal property. Illiquid gifts to the Foundation may require additional documentation prior to acceptance. This may include an appraisal, site visit, professional inspection or assessment, environmental review, and other types of due diligence associated with the proposed gift.

- a) The cost of a valuation appraisal will be borne by the donor. Other transfer costs, including attorneys' fees and title insurance, may be borne by the donor or charged to the fund being established at the Foundation.
- b) Gifts of real estate may be made outright, on a testamentary basis, on a current basis subject to a retained life estate, or to a charitable remainder trust or charitable lead trust. Such gifts require extra review.
  - i. A due diligence review includes but is not limited to a valuation appraisal, a physical inspection by a Foundation representative as well as a professional property inspector if the Foundation so recommends, an environmental Phase I

review on gifts of commercial or industrial property, cash-flow statements and tenant leases (for rental property), and a title examination and/or an opinion of title by a qualified attorney or title company.

- ii. The property must have significant value in relation to the cost of holding and selling the property and any liability or exposure in connection with ownership of the property. The Foundation will perform a cost benefit analysis to evaluate the cost of holding and/or improving the property against the cost of liquidating the property immediately.
  - ii. The property must be marketable within a reasonable time frame.
  - iii. The use or image of the property must be suitable to and consistent with the Foundation's mission.
  - iv. Proposed gifts of property located outside the United States will be reviewed on a case-by-case basis.
  - v. The Foundation will secure title insurance and a title insurance binder on gifts of real property.
  - vi. All gifts of real property will be reported to the Foundation's insurance carrier for inclusion in its corporate insurance policies.
- c) The Foundation will evaluate gifts of real property with retained life estate on a case-by-case basis according to the applicable policies and procedures regarding gifts of real estate detailed above. In addition, the donor and the Foundation will enter into an agreement regarding the donor's or life tenant's responsibilities for taxes, insurance, utilities, upkeep, maintenance, and limitations on the donor or life tenant's rights to make changes to the property or allow liens to be placed on the property without the approval of the Foundation.
  - d) The Foundation will evaluate proposed gifts of tangible personal property, such as works of art, on a case-by-case basis with specific consideration given to the cost of administering, storing, insuring, and otherwise managing such gifts.
  - e) The Foundation may accept gifts of intangible personal property and intellectual property including patents, trademarks, copyrights, and royalty streams or distribution rights on published works such as books or films where there is clear evidence of marketability or assurance of a revenue stream. Gifts of oil and gas interests involve special considerations and will be evaluated on a case-by-case basis.

### **Property Subject to Debt or Encumbrance**

The Foundation may accept gifts of assets such as real estate, business interests, or insurance policies that are subject to a debt or encumbrance. Given the potentially adverse tax

consequences to the Foundation and donor relating to contributions of encumbered property (the Foundation may be taxed on unrelated-business taxable income and the donor may be subject to capital-gains tax), donors will be encouraged to refinance debt on the property to remove the encumbrance so as to enable the gift to be made free and clear.

**1. Real Estate**

Real estate contributed to the Foundation shall generally be free and clear of any debt or lien. The Foundation may accept gifts of real estate encumbered with mortgage debt or other encumbrance up to 25% of the appraised value. Such gifts will be evaluated on a case-by-case basis.

**2. Business Interests**

Gifts of shares in corporations, limited liability companies, and limited partnerships with underlying debt (debt at the company or partnership level that will not be assumed by the Foundation) will be evaluated on a case-by-case basis.

**3. Insurance Policies**

Gifts of insurance policies may have premiums financed by a third-party lender, in whole or in part, and will be evaluated on a case-by-case basis.

**4. Charitable Remainder Trusts**

Gifts subject to a debt or encumbrance shall not be accepted for a charitable remainder trust without review of unrelated-business income tax consequences by legal counsel.

**Guidelines for Planned Gifts**

**1. Bequests**

Bequests received by the Foundation will be applied for the charitable purposes requested by the donor, if any are specified. Donors and their advisers are encouraged to advise the Foundation of their intentions to ensure that the donor's wishes can be carried out.

**2. Charitable Gift Annuities**

The Foundation may issue Charitable Gift Annuities to interested donors in states where the Foundation has the authority to issue such annuities. If and when such a program is established, the Foundation's Board of Directors shall adopt appropriate guidelines and policies.

**3. Charitable Remainder Trusts**

The Foundation may serve as trustee of any such trusts, subject to review on a case-by-case basis and any applicable licensing or registration requirements.

- a) The minimum amount of a gift to a Charitable Remainder Trust for which the Foundation will serve as trustee is \$100,000.
- b) The remainder interest from a Charitable Remainder Trust supporting the Foundation may be added to or used to create a fund of the Foundation. If the Foundation serves

as trustee of such a trust, a minimum of 50% of the remainder of the trust must be irrevocably designated to support a fund administered by the Foundation. Exceptions shall be reviewed and approved by Foundation representatives authorized to enter into gift agreements. The remainder interest of a Charitable Remainder Trust may be used to create any type of fund offered by the Foundation. Donors are encouraged to advise the Foundation of their intention to make the Foundation a beneficiary of such trusts and to ensure that the donors' wishes can be carried out.

- c) The Foundation may not serve as a trustee of donors' living trusts, special needs trusts, nor other noncharitable trusts.
- d) In situations where the Foundation shall serve as trustee, gifts of real estate or other illiquid assets shall be considered only in relation to the funding of a Net Income Charitable Remainder Unitrust (NICRUT), a Net Income With Makeup Provision Charitable Remainder Unitrust (NIMCRUT), or a Flip Charitable Remainder Unitrust (FLIPCRUT).
  - i. The Foundation generally shall not serve as trustee of a Charitable Remainder Annuity Trust funded with illiquid assets. The Foundation may agree to serve as trustee of such a trust if the donor funds the trust with sufficient liquid assets to make the annuity payments from the trust over a prudent period of time, to be determined by the Foundation.
  - ii. The Foundation shall not accept gifts of "S" corporation stock to fund a Charitable Remainder Trust. Under current law, a Charitable Remainder Trust is not an eligible shareholder of "S" corporation stock, and a corporation's Subchapter "S" status is automatically terminated if its stock is transferred to a Charitable Remainder Trust.
  - iii. Gifts of partnership interests and limited liability company interests will not be accepted by the Foundation to fund a Charitable Remainder Trust without review of unrelated-business income tax consequences by legal counsel.
- e) The Foundation reserves the right to decline to serve as trustee on any trust whose payouts are too high to create an appropriate charitable remainder benefit.

#### **4. Charitable Lead Trusts**

The Foundation will evaluate gifts by donors to a Charitable Lead Annuity Trust or Unitrust on a case-by-case basis. The Foundation may serve as the trustee of a Charitable Lead Trust subject to review of any applicable licensing or registration requirements. The minimum amounts applicable to Charitable Remainder Trusts shall also apply to Charitable Lead Trusts trustee by the Foundation.

#### **5. Bargain Sales**

Bargain sales are partial gifts and sales of real estate, securities, or other forms of illiquid property to the Foundation. A qualified appraisal is required. The price for the property

by the Foundation should not, as a guideline, exceed 25% of the appraised fair market value of the property. The Foundation will evaluate these gifts on a case-by-case basis.

#### **6. Retirement Plans**

The Foundation may accept account-type retirement plans in which a balance accumulates as principal such as IRAs, 401(k)s, 403(b)s, and defined contribution plans. Methods for gifting retirement-plan assets include:

- a) an outright gift naming the Foundation as a primary, successor, or contingent beneficiary for all or part of the assets upon the death of either the retirement-asset owner or spouse and
- b) creating a testamentary Charitable Remainder Trust upon the death of the asset owner naming the Foundation as the remainder beneficiary and noncharitable heirs as income beneficiaries.

### **Pledges**

Pledges are commitments to give a specific dollar amount according to a fixed time schedule.

#### **1. Information Needed**

The following minimum information is needed to substantiate a pledge:

- a) the specific amount,
- b) a clearly defined payment schedule,
- c) no conditions; i.e., the donor may not prescribe any contingencies with respect to payment,
- d) financial ability of the donor to make the gift,
- e) a stipulation that any changes to the original pledge must be documented in writing, and
- f) an understanding by the obligor that payment of the pledge by any other person(s) or entities may have adverse legal and tax consequences and that the Foundation will consult with legal counsel prior to accepting payment of a pledge from any other party than the obligor.

#### **2. Terms and Conditions**

- a) The pledge payment period must conform to the term prescribed by the Board of Directors for a particular campaign or project. Ordinarily, a pledge should not exceed five (5) years.

- b) Any pledge agreement that creates a new program, fellowship, or activity must stipulate that:
  - i. it is mutually agreed upon by the signing parties that any consequent Foundation action is taken in reliance upon the pledge and
  - ii. the donor intends to provide through a bequest in his or her will, or by other means, for any unpaid part of the pledge. In the event that the donor's will is admitted to probate and fails to contain a valid provision for payment of the pledge, the pledge document is to constitute a legal and binding obligation on the donor's estate.
- 3. The Foundation will maintain systems to remind donors in a timely manner when their next pledge payment is due.
- 4. If a pledge has lapsed more than ninety (90) days, the Foundation will contact the donor to determine when payment can be expected. If a donor wishes to restructure the payment schedule, every effort shall be made to accommodate the request. The Foundation recognizes that periodically donors may have an unexpected financial reversal and will be unable to complete their pledges based on the original payment plan.
- 5. The Foundation is responsible for tracking pledge cancellations, including the reason for the cancellation, and notifying the Board in a timely manner. The Board will review any pledge cancellation to determine whether it is in the best interests of the Foundation to pursue legal action against the donor. Cancellation or reduction of an enforceable pledge may have adverse legal and tax consequences for the Foundation and the donor. Both entities should seek legal counsel before an enforceable pledge is reduced or canceled.
- 6. The Foundation may reserve the right to modify or remove the recognition of an intended gift if the donor does not make all the intended payments.
- 7. Many donors are reluctant to sign enforceable pledge agreements even though they fully intend to honor their pledges on schedule. Tax and legal complications can arise if an enforceable pledge is canceled or reduced, and, for that reason, the Foundation and the donor often prefer that an agreement to make a gift be an expression of intent that the donor retains the right to revoke. A letter of intent:
  - a) will clearly list the intended amount and timing of each payment of the gift;
  - b) may provide for a designated purpose for the gift, that it be endowed, or both; and
  - c) may provide that the commitment is a binding obligation of the donor's estate if it is not satisfied before the donor's death and is not revoked by the donor.

## **Gift Restrictions**

The Foundation reserves the right to refuse or immediately dispose of any gift or asset if it believes that such ownership is not consistent with Catholic moral teachings, applicable tax law, or any other law or regulation applicable to the Foundation.

## **Applications of Guidelines**

This set of guidelines is intended to cover the most common types of gifts that may be made to the Foundation. It is understood that special gifts or circumstances may require a case-by-case review and provisions not covered by this document. The Foundation reserves the right to refuse any gift that it believes is not in the best interests of the Foundation. The Foundation's Board of Directors or such committee of the Board of Directors that is designated to review and approve such activities of the Foundation may amend these guidelines from time to time.

**Catholic Community Foundation of Los Angeles**  
330 N. Brand Blvd Suite 640  
Glendale, CA 91203  
Phone: (213) 426-1180 Fax: (213) 736-0480  
[www.catholiccf-la.org](http://www.catholiccf-la.org)