

Charitable Fund Guidelines

Your giving made easy

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California Community Foundation (“the foundation”) welcomes the opportunity to work with you to meet your charitable objectives and to make your philanthropy strategic, simple and rewarding. Individuals, families and corporations have created more than 1,900 charitable funds at the foundation.

This publication describes the various funds at the foundation, as well as policies, procedures and benefits associated with establishing and maintaining a charitable fund. Additional fact sheets and staff are available to answer any questions and provide further information on the information in this publication.

GETTING STARTED

A. Creating a Fund

A fund is created with an “Instrument of Gift” – an agreement between the foundation and the donor establishing the type of fund, fund purpose, fund advisors (if any) and other attributes. For gifts through estates or trusts, we can work with you and your legal advisors to provide appropriate language to include in estate documents.

B. Adding to a Fund

Once a fund is established, you and others may make contributions at any time, in any amount, using any of the following: cash, closely-held stock, partnership interests, publicly-traded securities, mutual funds, personal property, real estate and other assets. There is no minimum requirement for additional contributions. Contributions to the foundation represent irrevocable gifts subject to the legal and fiduciary control of our board of directors. Contributions by check should be made out to the “California Community Foundation” with the fund name specified on the information line. If you are considering a gift in any form other than cash, contact our gift planning staff to discuss the best way to transfer it.

C. Charitable Deduction

The foundation is classified as a public charity under Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code (IRC). Contributions may entitle you to deduct the maximum amount on your tax returns. To ensure maximum tax benefits, donors typically contribute appreciated assets that have been held for longer than one year. When planning your charitable gifts, we recommend consulting a legal, tax or professional advisor, as eligibility for certain tax benefits may vary.

A contribution to the foundation is subject to the following general limitations:

- Individuals are eligible for an itemized deduction for cash contributions of up to 60 percent of their adjusted gross income (AGI), with a five-year carryover.
- Deductions for contributions of other assets, including appreciated securities held for more than one year, are limited to 30 percent of AGI.
- Any excess amount beyond the AGI limitation may be carried forward and deducted in the five-year period after the year of the contribution.
- An individual’s ability to claim itemized deductions may be subject to other limitations.
- Income that accrues to a charitable fund created at the foundation is not available to the donor as a charitable deduction.
- Contributions from an estate and any earnings related to the contribution are not part of the donor’s taxable estate. When calculating a taxable gift or taxable estate, contributions to the foundation need not be included.

D. Gift Acceptance

Contributions of property that may not have immediate liquidity are accepted at the discretion of the foundation and subject to our due diligence process. Our expert staff will review gifts of appreciated property such as closely-held business interests, real estate and other assets. Any costs we incur to evaluate, acquire or sell a [complex gift asset](#), such as real estate, partnership interest or closely-held stock, will be deducted from the fund's net proceeds.

E. Planned Gifts and Legacy Society

A donor may name the foundation as the beneficiary of a bequest or other instrument to support an individual charitable fund. We have significant experience in facilitating gifts through bequests, charitable remainder trusts, charitable lead trusts, charitable gift annuities, gifts of retirement plan assets, retained life estates in residential property and life insurance opportunities. We established our Sartori Circle Legacy Society to recognize donors who have made gifts to CCF through their estate or named CCF as the successor advisor to their existing Donor Advised Funds. Given the complexity of the tax code and donor estate plans, we recommend consulting a tax or legal advisor to contribute these types of gifts. For further information, contact our gift planning staff.

TYPES OF FUNDS

The foundation was founded in 1915 as a dynamic philanthropic vehicle by Los Angeles community leaders. We offer a variety of funds that can be tailored to achieve your charitable goals and aspirations.

A. CCF Priorities Fund

These funds allow us to meet ever changing and pressing needs facing communities in Los Angeles County.

- [Unrestricted Funds](#): These are unrestricted funds from which the foundation has complete discretion in grantmaking.
- [Field of Interest Funds](#): The donor specifies an interest area that may be defined as flexibly as the donor wishes. We make grants within this set interest area, which may be topical, geographic or population-specific (e.g., disadvantaged youth in South Los Angeles) in scope.

B. Restricted Funds

The donor specifies one or more nonprofit organizations to be supported.

C. Donor Advised Funds

These funds are a primary alternative to an individual creating a private foundation. The donor or person(s) appointed by the donor reserves the right to make recommendations to the foundation concerning grant disbursements. Consistent with federal tax law requirements, we may accept or reject the recommendations of the donor at our sole and absolute discretion. During the lifetime of the donor, advisors to these funds may suggest grants made from principal as well as income. Donor advisors may name their children or others as successor advisors.

D. Nonprofit Agency Funds

Nonprofit organizations classified as public charities may create funds that are restricted for their benefit.

E. Scholarship Funds

Donors may create scholarship funds to support student education at qualified educational institutions. Such funds must have defined eligibility criteria for selection and may be treated as "discretionary scholarship funds," "restricted scholarship funds" or "committee advised scholarship funds."

- [Discretionary Scholarship Funds](#): Donors designate broad fields, communities, professions or general scholarship purposes (e.g., vocational scholarships, medical school scholarships) to benefit from this type of scholarship fund.
- [Restricted Scholarship Funds](#): Donors designate particular schools, school districts, colleges or universities to benefit from a restricted scholarship fund.
- [Committee Advised Scholarship Funds](#): An advisory committee is established to screen applicants and award scholarships. This committee may consist of school personnel or other experts consistent with the fund purpose or criteria and may include the donor as long as no conflict of interest arises with respect to a particular applicant. The donor may not control the committee, which must consist of a majority of representatives who are unrelated to the donor. Our board of directors reviews and approves committee membership, scholarship criteria and process for these funds annually.

F. Supporting Organizations

As another private foundation alternative, supporting organizations are defined by IRC Section 509(a)(3) as separate, nonprofit corporations that operate under the foundation's charitable umbrella. Supporting organizations must have initial assets of at least \$3 million. The foundation participates in the creation of "Type 1" supporting organizations and appoints the majority of each organization's corporate directors.

- **Operations:** The foundation handles all administrative and operational activities.
- **Grantmaking:** Grantmaking is governed by that supporting organization's board of directors. However, the foundation facilitates each supporting organization's grantmaking activities.

SPENDING POLICY

The foundation's spending policy is designed to preserve a fund's value over time to ensure long-term grantmaking. The board annually approves the policy, which is applied to several fund types, generally Unrestricted, Restricted and Field of Interest. This policy is subject to limits of no less than 4 percent and no more than 7 percent of the fair value of fund assets of the last 12 applicable quarters.

FUND INVESTMENTS

As the fiduciary for charitable funds, the foundation is responsible for ensuring its investment strategy aligns 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 donations from other donors for investment management and administrative purposes.

A. Investment Pool Selection

Upon creation, funds are assigned to one of [three investment pools](#). The Foundation may add or remove investment pools as necessary. In the event there are changes in pool options, donors will be provided notification of updated options.

A donor may recommend that a fund be invested in one of the following pools:

- **Endowment Pool:** The investment objective is to provide long-term real growth through a diversified portfolio while appropriately managing volatility, risk and liquidity. Investments are

selected to maximize risk-adjusted returns and, in turn, support grantmaking over 5-7+ years. The Foundation also seeks to integrate social and environmental priorities into the portfolio by investing in opportunities that target market-rate returns alongside positive, measurable impact. CCF is committed to advancing full portfolio mission alignment over time while maintaining flexibility to adapt and refine its approach.

- **Conservative Balanced Pool:** This pool is invested with an objective to offer diversified exposure to investment grade fixed income with maturities from 1-5 years and to the entire U.S. equity market for purposes of grantmaking over an intermediate horizon generally 3-7 years. The pool is composed of two holdings: 30 percent Vanguard Total Stock Market Index Fund that invest in the entire U.S. equity market, and 70 percent Vanguard Short Term Bond Index Fund with exposure to investment-grade fixed income.

- **Capital Preservation Pool:** This pool is invested with objectives to preserve principal, provide liquidity and working funds for present and future needs through investment in high quality, short-term fixed income and cash instruments. This pool is designed for funds with grantmaking horizons between 0-2 years. Its holdings include money market funds, commercial paper, U.S. government agencies and securities, and short-term bonds.

Note: If a fund has been inactive for more than two years, the foundation reserves the right to switch the fund's investment pool.

B. Investment Pool Oversight

The investment committee of the foundation's board of directors advises and monitors the performance of the managers within the investment pools and compares them with benchmarks identified for each asset class or investment goal. The investment committee decides on the allocation of the foundation's investments 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 authorized to delegate certain responsibilities to professional experts in various fields, including the flexibility to retain, terminate, or replace an Outsourced Chief

Investment Officer ("OCIO"). This delegation of authority and investment discretion allows for sufficient flexibility in the management process to capture investment opportunities as they arise. The investment committee is advised by Hall Capital Partners, which acts as the foundation's Outsource Chief Investment Officer ("OCIO").

C. Custom Investment Options

Under CCF's [Charitable Asset Management Program \(ChAMP\)](#), a donor may recommend an investment institution or advisor for the fund, subject to an investment policy statement for the fund approved by the foundation. This program may be suitable for donors who seek greater breadth and depth of services and expertise to increase the efficiency and impact of their philosophy. We also maintain relationships with banks, trust companies and other financial institutions that are approved as investment managers for charitable funds. Minimum fund balances apply.

D. Holdings in Business Enterprises

There are limitations on the ability of a donor advised fund to hold ongoing interests in business enterprises (such as closely-held corporations) that may affect the management of them as fund investments. 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 percent. Further, the duration that we may hold such assets in a donor advised fund may be limited by law. We have substantial experience in receiving and administering gifts of closely-held business interests.

E. Allocating Investment Returns

A fund's investment returns and expenses are represented by a percentage of participation in its investment pool. The percentage 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.

ADMINISTRATIVE AND INVESTMENT FEES

The foundation charges an administrative fee to each fund which is an annual percentage of the value of a fund and then assessed on a quarterly basis. Some

funds are assessed fees based on activity, such as grants or contributions. These fees are reflected in the foundation's [administrative fee schedule](#), which is reviewed and approved by the board of directors. We also incur investment management costs for our investment pools. These are shared collectively by each fund, thus achieving economies of scale.

DONOR ADVISED FUNDS

Since the creation of its first donor fund in 1963, the foundation has become a recognized and trusted administrator of such funds. With the enactment of the Pension Protection Act of 2006, donor advised funds are subject to the requirements under IRC Sections 4966 and 4967, thus the foundation's policies for donor advised funds are designed to ensure that the fund activities align with IRS regulations.

A. Fund Advisor(s) and Legacy

Upon establishing a donor advised fund, donors may name one or more fund advisors authorized to access information regarding the fund and make grant recommendations. Upon the death or incapacity of the original donors, a number of options exist, which provide fund advisors with an opportunity to establish how their fund will live on. Advisors may choose one or more of the following options when designing their succession plan:

- **Unrestricted Fund:** Advisor chooses to support the most pressing charitable needs in Los Angeles County, under the management of the foundation.
- **Restricted Fund:** Advisor names specific organizations that will receive distributions from their fund in perpetuity.
- **Field of Interest Fund:** Advisor names specific charitable purposes and/or causes (e.g., early childhood development), which will be supported from their fund in perpetuity, under the management of the foundation.
- **Successor Advisors:** Advisor names living individuals who may recommend grants after the death or incapacity of the original donor.

Legacy instructions are thoroughly documented and administered by foundation staff to ensure every donor's charitable intent is fulfilled in perpetuity. If there are no instructions documented at the time of death or incapacity of the original donor(s), the

foundation will continue grantmaking in the spirit of the donor's prior giving.

B. Recommending Grants

Fund advisors may request grant recommendations at any time via email, fax, mail, or using the foundation's online portal, [DonorConnect](#). All grants are made payable directly to the nonprofit organization on checks bearing the name California Community Foundation. The minimum amount for a recommended grant is \$100. We do not limit the number of grants that may be made from a fund.

- **Timing of Grants:** Grants are typically approved and processed within 4-6 business days of the foundation's receipt of the recommendation. However, grants may be delayed when additional due diligence is required. Additionally, grants that exceed 90 percent of a fund's balance may be subject to the foundation's payout policy, which allows time to account for market fluctuations and allocate other expenses, such as investment manager fees.
- **Eligible Grant Recipients:** Foundation staff perform the required due diligence for each recommended organization, ensuring recipients are qualified under the law and in good standing with the IRS. Qualified organizations may be public charities, private operating foundations, certain governmental entities, and religious and educational organizations.

C. Ineligible Disbursements

The following are examples of types of disbursements that are ineligible to be processed through a donor advised fund.

- Grants to benefit specific individuals for scholarships or other purposes.
- Grants that provide more than an incidental, personal benefit to the advisor or related parties, including but not limited to: gifts composed of charitable and non-charitable portions, such as purchases of a membership or event/athletic tickets.
- Expense reimbursements or other compensation to donors, advisors or related parties, even if in support of a charitable purpose.
- Payments in support of political activities, such as lobbying or political campaigns.

RESTRICTED FUNDS

Grants from restricted funds are made annually to specified organizations. The foundation may vary the purpose of the fund to another charitable purpose if it is determined that an organization is no longer a charity, no longer fulfills the charitable purposes desired by the donor, or if the purposes are obsolete and the foundation determines that community needs have changed.

SCHOLARSHIP FUNDS

We are one of the largest providers of scholarship support in Southern California. We have developed extensive guidelines, best practices and procedures to structure scholarship awards.

SUPPORTING ORGANIZATIONS

The board of directors of each supporting organization governs its activities and approves its grants and investments. The board of each supporting organization must meet at least once a year. Supporting organization grants are generally subject to the grantmaking standards and procedures defined in the previous section for donor advised funds.

GENERAL FUND ADMINISTRATION

A. Online Services

DonorConnect (donorconnect.org) is the fastest, easiest tool for fund advisors to recommend a grant, check their fund balance, access quarterly statement reports, and review their fund activity.

B. Fund Inactivity

If a fund advisor does not recommend a grant from a fund for two consecutive fiscal years (fiscal year beginning July 1 and ending June 30), the foundation will attempt to contact the fund advisor to discuss their future grantmaking intentions for the fund. CCF will make at least three attempts over the next fiscal year to contact the fund advisor and exhaust all avenues of contact. In order to protect the charitable intent of the fund, if the fund advisor does not respond at the end of the third fiscal year, the foundation will classify the fund as inactive and will initiate grantmaking. If this policy ever conflicts with federal law or state law (including

Uniform Prudent Management of Institutional Funds Act (UPMIFA)), relevant law controls.

C. Fund Distribution

If you are planning to distribute more than 90% of your fund's assets at any given time, please take note of our payout policy. You may request to distribute up to 90% of overall fund assets at any time; however, the remaining balance of your request will be distributed within approximately eight weeks after the initial 90% distribution, allowing the foundation to account for fees and investment returns.

D. Giving Ethos

CCF supports donors in making meaningful grants that meet the needs of the community. Our approach encourages donors to give a minimum of 5% of their fund balance each year. To set up a consultation, please contact your Relationship Manager.

DONOR RELATIONS

As a valued donor, you have access to personalized service through our staff and your assigned relationship manager to help make your giving more strategic, impactful and rewarding. From meeting with you to create a mission statement for your giving, to organizing an annual family meeting to discuss your grantmaking, to developing a plan for how we can help steward your legacy, CCF is at your service. Learn about the many ways we can support you on your philanthropic journey and let us know how we may be of assistance.

A. Engagement Opportunities

Because we work with nonprofit groups through our own grantmaking, special initiatives and convenings, we can help you expand the reach of your charitable giving. We can assist you in identifying a new organization, focusing your grantmaking around an issue area, and in some cases even help you leverage your grant dollars with other donors to have the greatest impact possible. We offer the vital services to turn your philanthropic vision into a reality, including one-on-one counseling for you and your family to assist in developing your philanthropic plans.

Our experienced staff will provide tools and assistance to facilitate the following:

- Help you define your grantmaking mission and specific focus area(s).

- Involve family members, holding annual family meetings or introduce children or others to a family's philanthropic goals.
- Analyze your past grants and develop a strategic grantmaking plan and timeline
- Create a grants budget for your annual grantmaking.
- Arrange site visits with nonprofit organization.
- Provide summarized information about nonprofit organizations including their financial sustainability and impact on issues that are important to you.

B. Legacy Planning

For donors interested in creating a legacy to last beyond their lifetime, CCF experts are available to discuss your estate and gift planning. We can help you create a personalized giving plan, as detailed or as general as you'd like, that ensures your philanthropy will be fulfilling and meaningful to you in perpetuity. Contact your relationship manager to start the conversation. For additional information, please visit calfund.org/planned-giving/.

C. Opportunities to Learn

We have acquired information on nonprofit organizations across the region working on a broad range of issues including the arts, education, youth development and affordable housing. No matter the charitable cause, chances are we can help. It is likely that we know a successful organization doing the very type of work you are interested in supporting. We can make an appropriate introduction and ensure that your charitable goals are fulfilled.

To learn more about charitable opportunities, you can:

- Attend a foundation event focused on a particular issue.
- Meet representatives from community nonprofit groups who have years of experience working in the trenches.
- Read about the innovative and effective work of local nonprofit groups in foundation publications and on our website.
- Request information summarizing a particular issue or a list of nonprofits addressing a specific issue.

D. Special Events

Throughout the year, you will be invited to donor education and engagement events. These are opportunities to learn about emerging issues, hear from experts on current and critical matters facing the Los Angeles community, connect with other donors, and discover new approaches to increase the impact of your philanthropy.

ONLINE PHILANTHROPIC RESOURCES

California Community Foundation: calfund.org

Council on Foundations: cof.org

The Foundation Center: fdncenter.org

GuideStar: guidestar.org

National Center on Family Philanthropy: ncfp.org

Southern California Grantmakers:
socialgrantmakers.org

We are here to help you fulfill your philanthropic goals. Let us know what we can do to make your giving experience easier and more meaningful. For additional information about the foundation, call our Donor Relations team at (213) 413-4130.

