



California  
**COMMUNITY**  
Foundation

# **Charitable Fund Guidelines**

Your giving **made easy**

Revised October 2019

# TABLE OF CONTENTS

## **GETTING STARTED 1**

- A. Creating a Fund
- B. Adding to a Fund
- C. Charitable Deduction
- D. Gift Acceptance
- E. Planned Gifts and Legacy Society

## **TYPES OF FUNDS 2**

- A. CCF Priorities Fund
- B. Restricted Funds
- C. Donor Advised Funds
- E. Nonprofit Agency Funds
- F. Scholarship Funds
- G. Supporting Organizations

## **SPENDING POLICY 3**

## **FUND INVESTMENTS 3**

- A. Investment Pool Selection
- B. Investment Pool Oversight
- C. Custom Investment Options
- D. Holdings in Business Enterprises
- E. Allocating Investment Returns

## **ADMINISTRATIVE AND INVESTMENT FEES 5**

## **DONOR ADVISED FUNDS 5**

- A. Fund Advisor(s) and Legacy
- B. Recommending Grants
- C. Ineligible Disbursements

## **RESTRICTED FUNDS 6**

## **SCHOLARSHIP FUNDS 6**

## **SUPPORTING ORGANIZATIONS 6**

## **GENERAL FUND ADMINISTRATION 6**

- A. Online Services
- B. Fund Inactivity
- C. Fund Closing

## **DONOR RELATIONS 7**

- A. Opportunities to Learn
- B. Engagement Opportunities
- C. Special Events
- D. Establishing Your Legacy

## **ONLINE PHILANTHROPIC RESOURCES 8**

---

**C**alifornia 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 1,600 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 50 percent of their adjusted gross income (AGI) in the year in which the contribution is made.
- 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.

### E. [Nonprofit Agency Funds](#)

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

### F. [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.

#### **G. 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 [four 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 preserve the purchasing power of assets over an indefinite time horizon through long-term investment opportunities, while providing a relatively predictable and stable stream of distributions that keeps pace with inflation over time. The investment objective is met through investing in a well diversified portfolio comprised of equities, fixed-income, alternative investment strategies, and real assets.

■ **Social Impact Endowment Pool:** This investment aims to preserve the purchasing power of assets over an indefinite time horizon by following a sustainable investing approach that combines rigorous financial analysis with equally rigorous environmental, social and governance (ESG) analysis. This pool provides a relatively predictable and stable stream of distributions that keeps pace with inflation over

---

time. The pool's underlying mutual fund has an asset allocation that ranges from 60-75 percent equity and 40-25 percent fixed income. For more information on this pool's social screens, please contact our staff.

■ 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. This pool is composed of two mutual funds: 70 percent is invested in a publicly traded U.S. equity fund, and 30 percent is invested in a publicly traded U.S. fixed-income fund.

■ 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 advised by Cambridge Associates, which acts as the foundation's investment consultant.

### **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 80 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](http://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 years, the foundation may attempt to contact the fund advisor at least three times to discuss their future intentions for the fund. If a fund advisor does not respond after all avenues for contact have been exhausted, and in order to protect the charitable intent of the fund, the foundation will classify the fund as inactive and may initiate grantmaking in the spirit of the fund's purpose and/or prior grantmaking.

### **C. Fund Closing**

If you are planning to distribute more than 80 percent of your fund's assets at any given time, please take note of our payout policy. You may request to distribute up to 80% of overall fund assets at any time, however the remaining balance of your request will be distributed 4-6 business weeks after the initial 80% distribution, allowing the Foundation to account for fees and investment returns.

## **DONOR RELATIONS**

CCF is at your service. Giving starts with you

---

and what you care about. As a valued donor, you have access to the broad community expertise and experience of our staff. We offer personalized service through your assigned relationship manager and our community connections to help make your giving more strategic, impactful and rewarding. Learn about the many ways we can connect you to philanthropic opportunities and let us know how we may be of assistance.

### **A. 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.

### **B. 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.

### **C. Special Events**

Throughout the year, you will be invited to a number of exclusive events. You may learn about emerging issues, connect with community leaders and other donors, discover new approaches to increase the impact of your philanthropy or get an exclusive look at the work of established and up-and-coming local artists. Our events include the following:

- Donor Education Luncheons: These are issue-based and expert-led presentations on current and critical matters facing the Los Angeles community. These events are attended by members of CCF's Sartori Circle Legacy Society members, donors, professional

---

advisors, foundation board and staff members.

■ **Donor Engagement Experiences:** These small group presentations focus on issue-based topics or best practices in managing philanthropy. Designed to be interactive, they are available to a small number of participants to maximize robust discussion and a unique donor experience. These events are held twice a year, sometimes at a nonprofit organization.

#### **D. Establishing Your Legacy**

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/legacy](http://calfund.org/legacy).

## **ONLINE PHILANTHROPIC RESOURCES**

**California Community Foundation:** [calfund.org](http://calfund.org)

**Council on Foundations:** [cof.org](http://cof.org)

**The Foundation Center:** [fdncenter.org](http://fdncenter.org)

**GuideStar:** [guidestar.org](http://guidestar.org)

**National Center on Family Philanthropy:** [ncfp.org](http://ncfp.org)

**Southern California Grantmakers:**  
[socalgrantmakers.org](http://socalgrantmakers.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.