

DONOR ADVISED FUNDS

Program Guide

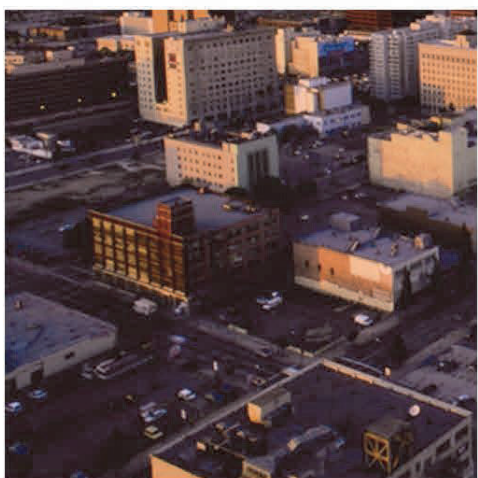
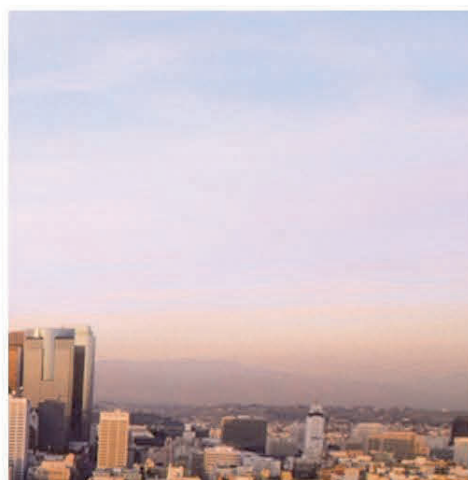
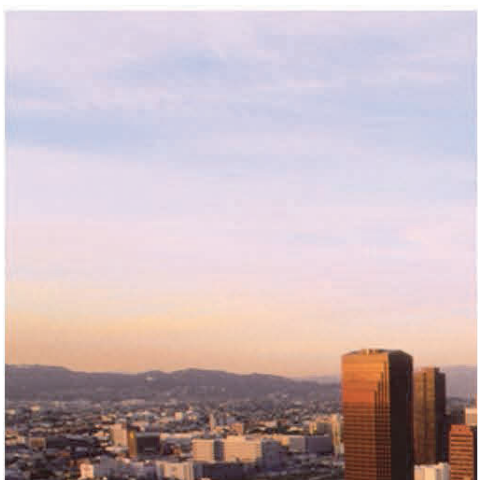


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INTRODUCTION

A donor advised fund is an account set up by an individual or business to handle charitable giving to organizations or specific areas of interest while also benefiting from Liberty Hill Foundation's grantmaking and administrative expertise.

This guide describes the benefits and specifics of our program. Please consult with your financial and tax advisor(s) to ensure the best use of this program for your particular tax situation.

You may need a Liberty Hill Foundation donor advised fund if you...

- Receive a large inheritance or other financial windfall.
- Need an immediate tax deduction but want to give grants over time.
- Want a foundation-like structure without the administrative complications and cost.
- Want to reduce mail and phone solicitations from organizations.
- Want expert advice to ensure your contributions are making a real difference.

Change is a long-term process, so the groups we fund are there for the long haul, learn from their experience, and build power and impact. Our funding is very focused and consistent. We support community organizing for racial and economic justice, and civil rights. Virtually all our funding is through our donor advised fund at the Liberty Hill Foundation.

– Paula & Barry Litt





BENEFITS

Benefits of Liberty Hill Foundation's Donor Advised Fund Program

Flexible Charitable Giving Vehicle:

Your donation to a donor advised fund is irrevocable, but you can recommend grants at your convenience over time. A donor advised fund is one of the most efficient, cost-effective alternatives to establishing a private or family foundation. These funds afford you tax benefits and help you avoid the administrative hassles associated with a private foundation. You may also name successor advisors to your fund, which allows you to include a spouse, partner, family members or friends in building a philanthropic plan for giving, both during your life and after your death.

Immediate Tax Deduction:

You receive full tax benefits at the time you make a donation to your donor advised fund, up to the maximum allowed by law. If you need to dispose of appreciated stock, insurance or land, dissolve a family foundation or make a large contribution quickly under the terms of a will, a donor advised fund may be the perfect solution.

Investment Options:

Based on a minimum fund balance and your grantmaking horizon, we offer several investment strategies from which to choose, including a cash equivalent account. Any potential growth in assets within an invested donor advised fund is tax-free, offering the potential for greater charitable grantmaking in the future.

Administrative Support:

You enjoy simple, comprehensive administration of your donor advised fund. Liberty Hill Foundation takes care of the check-writing to grantees and you receive quarterly reports on the activity in your account.

Expert Advice:

You have the option to receive expert advice on hundreds of community-based organizations in the Los Angeles area. With more than 30 years of history as Los Angeles' leading social justice

grantmaker, Liberty Hill's experience can help you have the most impact. Upon request, Liberty Hill staff can prepare a docket of groups based on your areas of interest and work with you in developing your grantmaking strategy.

Make Grants:

You can recommend grants by sending us a written request, emailing us or making your request through our secure password-protected online donor portal.

Online Services:

In addition to being able to recommend grants using our secure password-protected online donor portal, fund advisors and their designees may access information about their fund, such as fund balance, and recent and past fund activity.

Due Diligence:

Our Donor Services Team performs due diligence on each organization recommended for support to ensure that you are supporting organizations that are qualified under the law.

Anonymity:

You may make your grants anonymously from your donor advised fund if you so choose.

Donor Engagement:

By opening a donor advised fund at Liberty Hill, you automatically join a community of donors committed to building a future based on fairness, compassion and inclusion. Throughout the year, Liberty Hill hosts special gatherings and events that connect donors, grant recipients, the larger Liberty Hill family and the broader community.

Consultation Services:

Liberty Hill staff are available to consult with you about your charitable giving, helping you think through your philanthropic goals and create a giving plan that suits your needs.

Ease:

Setting up a donor advised fund is quick and easy. Simply contact Donor Services at Liberty Hill, at (323) 556-7203 or donorservices@libertyhill.org.

ESTABLISHING A FUND

It takes a few easy steps to start a donor advised fund. Begin by contacting Donor Services at the Liberty Hill Foundation: phone: (323) 556-7203, or email: donorservices@libertyhill.org.

Following a preliminary discussion with you, a Memorandum of Understanding will be prepared for your review and signature.

Once we receive your signed Memorandum of Understanding and initial contribution, your donor advised fund is officially open.

Things we will want to discuss with you:

- What are your philanthropic passions and goals?
- What is your vision for how long you want to sustain your assets?
- What would you like to name the fund?

TYPES OF FUNDS:

Donor Advised Funds

- A donor advised fund is a charitable giving vehicle administered by a public charity and created for the purpose of managing charitable donations on behalf of an individual, family or organization. A donor advised fund offers the opportunity to create an easy-to-establish, low cost and flexible vehicle for charitable giving as an alternative to direct giving or creating a private foundation. A donor advised fund is an account set up by an individual or business to handle charitable giving to organizations or specific areas of interest while also benefiting from Liberty Hill's grantmaking and administrative expertise. This provides an opportunity to create an easy-to-establish, low cost and flexible vehicle for charitable giving as an alternative to direct giving or creating a private foundation.
- The donor or individuals appointed by the donor reserve(s) the right to make recommendations to the Foundation concerning grant disbursements. With a minimum of \$10,000, your donor advised fund can normally be opened in as little as one day. Following our preliminary discussion with you, we will prepare a Donor Advised Fund Memorandum of Understanding for your review and signature. Once we receive your signed Memorandum of Understanding and initial contribution, your donor advised fund is officially open.
- A donor or group of donors may establish a **Giving Circle**.



Money is added to a pooled fund and the circle members decide together which organizations or projects to support. Contact Liberty Hill for more information on Giving Circles.

Scholarship Funds

- Donors may create scholarship funds to support student education at qualified educational institutions. Such funds must have defined eligibility criteria for selections. For example, donors may designate broad fields, communities, professions or particular schools, school districts, colleges or universities.

An advisory committee is established to screen applicants and award scholarships. The committee may include the donor as long as no conflict of interest arises with respect to a particular applicant and as long as a majority of representatives are neither relatives nor business associates of the donor. The committee may also consist of school personnel or other experts consistent with the fund purpose or criteria.

NAMING THE FUND:

You will need to name your donor advised fund for use in correspondence and publications (you may also opt for anonymity). In naming their funds, donors have taken different approaches. Your fund can:

- Be named to reflect the charitable goals or values of the fund (e.g., Fund for Workers' Rights).
- Be named after you or your family (e.g., Kate and Richard Castle Fund).
- Be named in honor or memory of someone (e.g., Jon Anson Memorial Fund).
- Be given an institutional name (e.g., J. Washington Foundation Fund).

TYPES OF GIFTS:

You may contribute cash, stocks, bonds, mutual funds, real estate and certain other assets to your donor advised fund. You may also choose to create a donor advised fund through deferred gifts, such as a charitable remainder trust, a will or living trust, or make the fund a beneficiary of life insurance. Contributions made by check should be made out to "Liberty Hill Foundation" with the fund name on the memo line.

Good will is reciprocal. Empower others by caring and supporting their success – there's nothing more rewarding. Giving Circles have been a great vehicle to leverage resources while gaining growth for oneself, organizations, and community.

– Wendy Chang

If you are considering a gift in any form other than cash, please contact our Donor Services Team to discuss the best way to transfer it. Liberty Hill will review and approve all gifts in accordance with our gift acceptance policy. Donors will receive a written acknowledgement after each gift has been accepted.

SOME GUIDELINES TO CONSIDER:

Initial Contribution:

In most cases, the minimum initial contribution to open a donor advised fund is \$10,000.

Additional Contributions:

Additional contributions to a donor advised fund can be made at any time and in any amount.

Terms and Conditions:

Liberty Hills' Donor Advised Fund Program is subject to the terms and conditions of Liberty Hill's articles of incorporation, bylaws, investment and gift acceptance policies and this Program Guide.

FUND ADVISORS

Upon establishing a donor advised fund, the founding donor(s) may name one or more fund advisors authorized to access information regarding the fund and make grant recommendations. These individuals are typically named in the Memorandum of Understanding (MOU) when creating the fund. A founding donor is a fund advisor unless otherwise indicated in writing by the founding donor.

- **Grant recommendations by individuals other than the donor(s):** A fund advisor may, in writing, designate another party to recommend grants to charitable organizations. These individuals will be able to recommend grants at any time and in any amount from the specified fund. These persons retain such authority until the fund's advisor provides written revocation.
- **Specified fund purpose:** The founding donor(s) may choose to designate broad fields of interest to receive support from the fund in the MOU creating the fund or in written communication delivered to the Foundation.





- **Death or incapacity of primary advisors:** There are a number of options for the treatment of a donor advised fund after the death or incapacity of the founding donor(s). The founding donor(s) may designate the purpose of the fund after her or his death or incapacity in the MOU creating the fund or in written communication delivered to the Foundation.

SUCCESSOR ADVISORS AND CHARITABLE BENEFICIARIES:

A fund's founding donor(s) may name successor advisors or recommend any number of charitable beneficiaries or areas of interest for the fund. A successor advisor inherits the privileges of the fund's founding donor(s), including the ability to make contributions and recommend grants.

If there are no successor advisors or charitable beneficiaries selected, a donor advised fund will be closed upon the death (or corporate dissolution) of the founding donor(s) advisor. When the fund is closed, all remaining assets will be disbursed in accordance with Liberty Hill's gift acceptance policy.

TAX CONSIDERATIONS

Most contributions to donor advised funds at Liberty Hill Foundation are tax-deductible charitable contributions. Consult with your own tax advisor regarding the effect of a proposed charitable contribution on your tax liability and the applicable rules regarding appraisals and valuations.

The following information summarizes the general rules for the most common types of gifts.

Cash:

A donor's cash contributions to donor advised funds are tax-deductible.

Stocks and Bonds:

For publicly traded securities that are held for more than one year, the tax-deductible amount is

For the entrepreneur/producer in me, there's nothing quite like working hand-in-hand with a committed team and realizing a shared vision. But, as an investor, I think about investing in social change and getting as much bang for my buck as possible. And Liberty Hill has been an invaluable resource -- they know what's going on out there, who's really doing the work, and who's getting results.

– John Manulis

calculated by establishing the mean value (taking the high and low prices) on the date of the gift. Special rules and considerations apply to gifts of closely held securities, partnership interests, limited liability company interests and stock in S corporations.

Short-term Securities:

For publicly traded securities held for one year or less, the tax-deductible amount is up to the lesser of the donor’s cost basis or fair market value.

Estate Taxes:

A contribution to a donor advised fund pursuant to a properly drafted will or testamentary trust is not subject to estate tax. It is your responsibility to seek professional advice to ensure that your estate plan is effective.

Capital Gains:

No personal capital gains taxes apply to gifts of appreciated publicly traded securities as long as the securities are transferred to Liberty Hill and liquidated by Liberty Hill after the contribution.

Irrevocable Gifts:

By law, Liberty Hill has exclusive legal control over the assets contributed to Liberty Hill’s donor advised funds. Contributions are irrevocable and tax-deductible on the date the gift is made.

FUND VALUATION

Cash Gifts:

The value of a donor’s cash gift to a donor advised fund will be fully credited to the fund.

Non-Cash Gifts:

The donor advised fund will be credited with the net proceeds, after liquidation costs, from the sale of securities, real estate or other non-cash gifts contributed. Any unusual management, legal or other costs incurred to accept or dispose of assets (e.g., Phase I for gift of real property) will be charged to the fund by Liberty Hill Foundation.

Liquidation:

Liberty Hill will liquidate securities contributed by a donor within 7 to 10 business days.

FUND VALUE AND INCOME:

For Invested Funds:

At any point, the value of an invested donor advised fund is computed as the sum of the initial net gifts plus interest, dividends and other investment income including capital gains distributions from underlying investment vehicles, less grant disbursements, investment losses and fees and Liberty Hill's administrative overhead. The value of the fund fluctuates with market movements.

For Non-Invested Funds:

The value of a donor advised fund that is held in a cash account is computed as the sum of the initial net gifts, less grant disbursements and Liberty Hill's administrative overhead.

GRANTMAKING

A fund advisor may recommend grants by submitting a written request, emailing us or making a request through our secure password-protected online donor portal. All donor advised grant recommendations are subject to review and approval by Liberty Hill Foundation.

If the fund advisor wants to support a certain cause but wants advice about potential grantee organizations, Liberty Hill may prepare a docket to share grantee opportunities during the grantmaking process. This document is a key part of the personal service we may provide to our fund advisors, helping to guide the fund's grantmaking to the founding donor's stated interest areas. Dockets also provide a way for us to introduce new organizations to fund advisors.

FACTS ABOUT GRANT DISTRIBUTION:

Grant Amount:

A donor advised grant recommendation must be a minimum of \$250. There is no maximum amount.

**Number of Grants:**

A fund advisor may recommend an unlimited number of grants from the donor advised fund, up to the fund's available balance.

Grant Processing:

When a grant is awarded, the grantee organization receives a check and a grant award letter which lists the fund name, as well as the fund advisor's name and address, unless anonymity is requested. Most grant recommendations are processed within 10 business days.

Anonymity:

Some fund advisors always wish to remain anonymous with regard to their grantmaking. Some request anonymity for specific grants. Still others are public about their philanthropy, but request that their address not be shared. Any of the options below can be accommodated:

- The fund and fund advisor's names are listed along with the fund advisor's address.
- The fund name is listed, the address listed is c/o Liberty Hill and the fund advisor's name is omitted.
- The fund and fund advisor's name are listed, but the address listed is c/o Liberty Hill.
- The fund name listed is Anonymous Fund, the address listed is c/o Liberty Hill and the fund advisor's name is omitted.

ACCEPTED NONPROFITS:

In general, recipients of donor advised fund grants can be charitable organizations anywhere in the United States that are tax-exempt under Internal Revenue Code Section 501(c)(3) and are public nonprofit organizations under Internal Revenue Code Section 509(a). Grants can also be recommended for qualified publicly-supported charities, as defined in Internal Revenue Code Section 170(b)(1)(A), such as religious organizations and educational institutions.

RESTRICTIONS:

In accordance with the laws governing donor advised funds, the following are some of the restrictions on the use of donor advised funds:

Pledges:

A donor advised fund cannot make grants to satisfy a pre-existing pledge.

Return Benefits:

A founding donor or her/his spouse/partner, relative or business or any fund advisor cannot receive any return benefit for gifts made from the donor advised fund, including paying for dues, membership fees, tuition, benefit tickets, meals or admission fees, or goods.

Individuals:

A donor advised fund cannot reimburse any expenses of the founding donor or her/his spouse/partner, relative or business or any fund advisor.

Electioneering or Lobbying:

A donor advised fund cannot make grants to support any political candidate, political party or political action committee. A donor advised fund also cannot make grants to influence legislation within the meaning of Internal Revenue Code Section 4911, including initiatives, referenda and other types of ballot measures. However, a donor advised fund can make a general support grant to a charity engaged in limited lobbying or in public policy advocacy, such as public education and nonpartisan analysis or technical assistance. Contact Liberty Hill to discuss your plans if you desire to support advocacy efforts.

REPORTING AND RECEIPTS

A fund advisor will be provided with quarterly statements showing the fund's balance and activity.

Liberty Hill Foundation will provide a donor with a written gift acknowledgement for each contribution into the fund.

In addition, Liberty Hill will provide a donor with all other financial reports or information as required by law.



OTHER INFORMATION

Some organizations, corporations or other business entities have created donor advised funds rather than start a foundation or other giving program. The terms and conditions described in this program guide generally apply to all donors. However, organizational and corporate donor advised funds may be subject to different administrative procedures and fund expenses. Please contact Liberty Hill Foundation for more information.

ADDITIONAL DONOR SERVICES

Liberty Hill Foundation's Donor Services Team is able to help you meet your philanthropic needs.

OPPORTUNITIES TO LEARN AND ENGAGE:

Liberty Hill has acquired information on nonprofit organizations across the region working on a broad range of issues such as environmental justice, economic and racial justice, and lesbian, gay, bisexual, transgender and queer equality. For instance, you may:

- Attend a Liberty Hill donor event focused on a particular social justice issue.
- Meet representatives from nonprofit organizations who have years of experience working on the frontlines.
- Read about the innovative and effective work of Liberty Hill-funded organizations in our publications and our website.

- Request information summarizing a particular issue or a list of nonprofits addressing a specific issue.
- Request recommendations for organizations to fund.

By joining Liberty Hill's community of donors, you reap the benefit of:

- A thoughtful collaborator who listens and whose goal is helping you realize your mission, building on the values that we share.
- An expert resource to make your grantmaking more impactful, augmenting your current strategy with timely opportunities and funding ideas.
- A team member on Liberty Hill's staff who provides personal, responsive customer service.
- Inclusion into a visionary network of donors and community leaders who work together to advance social justice and L.A.'s campaigns for change.
- Access to insider analyses of emerging and innovative political developments in L.A.

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 or discover new approaches to making a difference.

Liberty Hill is LA-based. They know small and mid-size organizations really well. They're about a progressive approach. They know about advocacy. They are interested in innovative approaches to do things. And they're about bringing different communities together.

– Anne-Marie Jones





Change. Not Charity

6420 Wilshire Blvd. Suite 700

Los Angeles, CA 90048

323.556.7200

www.LibertyHill.or

