



CENTRAL CAROLINA

Community Foundation

Private Foundations - Costs vs. Benefits

A traditional giving vehicle for high net worth individuals, private foundations provide both a way to support charity and a way to create a legacy. For donors, they afford the highest level of control—over investments, operations, and grantmaking. With greater control, however, often come greater costs. Private foundations are subject to excise taxes, minimum payouts, and public disclosure. The costs of limited deductions, rigorous IRS reporting requirements, and strict IRS regulations can be disproportionately high, particularly for foundations with less than \$5 million in assets. Management of even small private foundations typically requires the services of an attorney, an investment advisor, and an accountant... not to mention paid or volunteer operations management.

Things to consider	Fund with Community Foundation	Private or Corporate Foundation
Organization	Established (1984)	Must establish
Tax exempt	501(c)(3) status	Must establish with IRS
Funds required	\$10,000 minimum	\$1 million minimum recommended
Selection of grantees	Donor, family or his/her advisory committee recommends grantees	Donor specifies grantees
Tax deductibility of gifts	a) Up to 30% of donor's adjusted gross income (50% with cash donation) b) Excess may be carried over for five years	Limited to 20% of donor's adjusted gross income (30% with cash donation)
Federal approvals, restrictions and special taxes	a) Approved by IRS b) No Federal Excise Tx	a) Must receive IRS approval b) Fund is charged 2% federal excise tax on income unless strict requirements are met c) Great incidence of IRS field audit
Legal documents for creation of foundation	In place	Must create
Office	In place	May need to obtain
Staffing	In place	May need to obtain
Accounting	In place	Must obtain
Tax Return (state and federal)	Community Foundation prepares	Must prepare
Public Report	Report to public made annually	Must prepare reports for the general public
Knowledge of potential grantees	Community Foundation provides	Must develop
Grant evaluation process to ensure donor's intent satisfied	In place	Must develop
Public Recognition for Donor	Fund may be named or anonymous. Community Foundation publicizes grants made from funds, if desired	Must provide or rely on grantee organization
Director/Officer Liability	In place	Must obtain
Investment of Assets	Asset Management Committee oversees investment policies	Must establish policies and select investments