



COMPARISON OF FOUNDATION OPTIONS

The following chart provides a detailed look at the differences between a private foundation and a community foundation. It compares the two options as charitable giving vehicles and from an investment standpoint.

Selecting the appropriate vehicle for your philanthropic giving is as important as the issue(s) you decide to support.

With a Community Foundation Fund you can:

- Reduce costs
- Simplify the paperwork and reporting
- Maintain your grant making interests
- Create a lasting charitable legacy with a named permanent fund

Establishing a permanent fund at the community foundation is easy and it may be the right option for you. Hopefully, the information provided in this brochure will help you begin to weigh your options.

*Community Foundation Named Charity Funds
and Private Non-Operating Foundations...*



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| | COMMUNITY FOUNDATION | PRIVATE FOUNDATION |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IRS Charitable Status | 501(c)(3) and 509 (a)(1) (public charity) | 501(c)(3) (private foundation) |
| Governing Body | 1) Advisor committee advisor may be establisher or may be committee of family members and/or other. Successive generations may participate in future giving. 2) Community foundation must have final approval for all grants and administrative matters. | Governing body may consist of donor and related persons. Governing body must approve all grants and administrative matters. |
| Tax Treatment of Cash Gifts | Deductible up to 50% of adjusted gross income (AGI) | Deductible up to 30% of AGI |
| Tax Treatment of Gifts of Appreciated Publicly-Traded Securities | Full market value deductible up to 30% of AGI | Full market value deductible up to 20% of AGI |
| Tax Treatment of Closely Held Stock or Real Estate | Full market value deductible up to 30% of AGI or cost basis up to 50% of AGI | Deduction limited to donor's cost basis, up to 20% of AGI |
| Deduction Carry-Over Available | Five additional years | Five additional years |
| Ease of Establishment, Incorporation and Tax Exemption | One signed document (instrument of transfer). Automatically covered by the Community Foundation's tax exempt status. | Corporation or trust required. Must apply to IRS for tax exempt status using from 1023. (IRS may take six months or longer to process) |
| Excise Tax on Investment Income and Net Realized Capital Gains | None | Generally 2%; may be reduced to 1% under special circumstances. |
| Self Dealing Rules | Not applicable | Strict prohibition under IRC Section 4941 |
| Minimum Payout Requirements | None (can accumulate toward a sizable project or grant with no required payout). A Community Foundation fund has the flexibility to hold low yield property. | Yes (minimum 5% average asset value each year under IRC Section 4942). A private foundation must meet the minimum distribution rules whether or not the foundation's investments earn that amount. |
| Restriction on Private Investment | Yes | Yes (in addition, you cannot engage in acts that may violate strict self dealing rules that apply only to private foundation) |
| Restriction on Holding Interests in Business Enterprises | No | Yes |
| Application of Expenditure Responsibility Procedures For Grants to Organizations/Programs that are Not Public Charities | No | Yes (under IRC section 4945 - taxable expenditure retax for failure to make "expenditure responsibility" investigation) |
| Possibility of Advisory Role for Donor/Family in Grant-Making | Yes | Yes |
| Separate Annual IRS Tax Return Required | No | Yes |
| Privacy | Yes. Individual donors' fund assets size, gifts, and grant-making are kept private and confidential. No public disclosures of individual grants or donations is required. Donors are generally recognized for grants disbursed, but grants may be made anonymously. If a donor wishes, the Community Foundation can serve as the buffer between donors and grant-seekers. | No. (IRS Form 990-PF which is open to public inspection). Private foundations are required to file detailed tax returns on grants issued, investment fees, trustee fees, staff salaries, asset size, etc and then publish a notice to the public that the tax return is available for public viewing. These are public records and are often compiled into grant-seeker directories. |
| Investment, Accounting, Audit, and Tax Returns | The Foundation handles all investments and accounting, files annual tax return and provides annual independent audit. | Trustees must perform, contract, or hire staff for these services. |
| General Administration | Community Foundation handles all financial and administrative management | Trustees must perform, contract, or hire staff for these services. |
| Grant Administration | If donor wishes, the Community Foundation can identify potential recipients, investigate applicants, make grant payments, and monitor performance | Trustees must perform, contract, or hire staff for these services. |
| Liability and Insurance | Advisors to funds are covered by Community Foundation's liability and office insurance policies. Fundraising events and other activities will require insurance. | Any directors and officers liability insurance, employee bonding, and office insurance must be separately purchased. |