



## Corporate Alternatives to Private Foundations

*If you are a corporation wishing to maintain long-term involvement with your charitable giving, Coastal Community Foundation (CCF) offers two options that enable you to secure maximum tax deductions, involve employees, focus grantmaking, and obtain visibility for your giving. The following compares CCF's Donor-Advised Fund and Affiliate (Support Organization) options with the traditional private foundation. Corporate donors are now finding one or the other of these two are often more attractive than creating a private corporate foundation.*

### ***Donor-Advised Funds***

Through an agreement with CCF, you will create and name your fund. It will be managed and administered by CCF. You will choose fund advisors to recommend grant recipients and gift amounts to the Foundation. Distributions will be made in the name of the corporate fund, and the corporation will receive annual financial statements. Since the fund will be part of CCF's holdings, it will receive all related tax- exempt benefits and CCF handles all the administration.

### ***Affiliates (Supporting Organizations)***

Through a unique collaboration with CCF, a corporation can form an affiliate or support organization. Structured as a separate corporation or trust, a support organization has its own non-profit board, bylaws, articles of incorporation, policies and financial statements. However, by sharing management and administration with CCF, a supporting organization is particularly cost- effective. Most importantly, it is, for tax purposes, a public charity, entitling its donors to the most generous charitable tax deductions. CCF currently has two affiliates: the Jewish Endowment Fund and Saul Alexander Foundation.

### ***Private Foundations***

A private foundation allows extensive donor control over distributions and board selection. However, private foundations are highly controlled by the government and have many special restrictions, including administrative and reporting burdens, excise taxes, and a required minimum payout. In recent years, certain limitations on charitable deductions available for gifts to private foundations have minimized the appeal of this tool.

### **Advised Fund with CCF**

#### **Tax Exempt Status**

Shares the public charity tax exempt status of CCF, as a "component" of CCF.

#### **Recommended Size**

\$10,000 minimum

### **Affiliate of CCF**

Shares the public charity tax exempt status of CCF.

\$5 million or more

### **Private Foundation**

Must apply for private foundation tax exempt status from the IRS.

\$5 million or more

(can be built over time)

### **Advised Fund with CCF**

### **Affiliate of CCF**

### **Private Foundation**

#### **Charitable Deductions for Cash Gifts**

Tax deduction of **up to 50%** adjusted gross income (A.G.I.).

Tax deduction of **up to 50%** adjusted gross income.

Tax deduction of **up to 30%** adjusted gross income.

#### **Charitable Deductions for Appreciated Property**

Tax deduction available for full **fair market value** (FMV) of marketable securities and other property.

Same

Tax deduction may be taken for FMV of marketable securities. Tax deduction for **other appreciated property**, including real estate, is **limited to cost basis**.

Tax deduction available up to **30% of A.G.I.**

Same

Tax deduction available **up to 20% of A.G.I.**

#### **Donor Control**

Corporation makes advisory grant recommendations; final decision rests with CCF's Board.

Donor holds significant organizational influence and may appoint minority of the board which makes grants and policy decisions.

Donor retains complete control over investments and grant making subject to IRS requirements.

#### **Anonymity (if desired)**

Yes – Fund name and grants may be private. CCF can serve as a buffer between donor and grantseekers.

No – Must file detailed returns on grants, investments, fees, salaries, etc.

#### **Involvement of Successor Generations**

For families, limited to those living when the fund is created, unless significant assets. For corporations, unlimited as long as the corporation continues to exist and to support the activity of the fund.

In perpetuity as set by the board's policies.

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#### **Creation**

Establish with a simple fund agreement.

Nonprofit corporation or trust created with assistance from CCF.

Nonprofit corporation or trust organized as a private foundation by legal counsel.

## **Advised Fund with CCF**

### **Self-Dealing Rules**

Private foundation self-dealing rules do not apply.

### **Payout Requirements**

Do not apply

### **Administrative Concerns**

#### ***(personnel, investments and grants management)***

Services provided by CCF

### **Annual Taxes**

None

### **Annual Tax Filing and Returns (990 Report)**

Not required (reported as part of CCF's annual reporting).

### **Investment Management**

Fund assets are professionally invested through CCF's various options.

### **Fiduciary Responsibility**

CCF fulfills the associated fiduciary responsibilities.

### **Liability and Risk Insurance**

Provided by CCF up to \$1 mm.

## **Affiliate of CCF**

Private foundation self-dealing rules do not apply.

Do not apply

Affiliation with CCF provides access to existing services.

None

Can be prepared and filed by CCF, or CCF can oversee preparation.

May avail itself of professional investment services offered by CCF.

Administrative guidance provided by CCF.

Provided by CCF up to \$1 mm.

## **Private Foundation**

Strict regulations prohibit most transactions between a private foundation and its donors (including related persons or organizations).

**Must pay out** for charitable purpose **at least 5% of its asset value annually**, regardless of its income.

Must establish and/or obtain these services.

Subject to an excise tax of up to 2% of net investment gain, including net capital gains and income.

Must be filed by the private foundation with required schedules.

Must research, secure, and carefully monitor its own investment vehicle.

The foundation board has fiduciary responsibilities.

Must be purchased.