



## Alternatives to Private Foundations

*For philanthropists who wish to be truly involved in significant giving, Coastal Community Foundation (CCF) offers two options that provide maximum tax deductions, meaningful involvement of family members, greater focus on grantmaking, and visibility (if desired). The following compares CCF's donor-advised funds and affiliate (supporting organization) options with the traditional private foundation. Many donors are now finding one or the other an attractive alternatives to the headaches of creating a private foundation.*

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

Through a simple two-page agreement with CCF, donors create and name their fund that is administered by CCF. Donors appoint the fund advisors to recommend grants. Grants are made in the fund's name. Since the fund is part of CCF's holdings, the donor receives all related tax benefits. Donors may choose to start with an advised fund and transfer to an affiliate at a later date.

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

In collaboration with CCF, donors can establish an affiliate organization (the IRS term is supporting organization). A supporting organization is a 501(c)(3) charity that is classified as a public charity because it "supports" a public charity, such as a community foundation. A supporting organization is a separate entity from CCF, has its own board of directors, bylaws, and makes its own decisions. It is classified as a public charity, even if there is only one donor, or one family of donors, because it operates in conjunction with CCF, and the requisite degree of public control and involvement is considered present. What's more it is not treated as a private foundation, thereby entitling its donors to the most generous charitable tax deductions.

CCF currently has four affiliates: the Jewish Endowment Fund, Saul Alexander Foundation, The Darby Family Foundation and the Frances P. Bunnelle Foundation. *(See Policies for Accepting Family Supporting Organizations.)*

### ***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.

<b>Comparisons</b>	<b>CCF Advised Fund</b>	<b>CCF Affiliate</b>	<b>Private Foundation</b>
<b>Tax Exempt Status</b>	Shares the public charity tax-exempt status as a “component fund” of CCF.	Shares the public charity tax-exempt status as an affiliate organization.	Must apply for private foundation tax-exempt status from the IRS.
<b>Recommended Size</b>	\$10,000 minimum	\$5 million or more	\$10 million or more
<b>Charitable Deductions for Cash Gifts</b>	Tax deduction of <b>up to 50%</b> adjusted gross income (A.G.I.).  Tax deduction for full <b>fair market value</b> (FMV) of marketable securities and other property.	Same  Same	Tax deduction of <b>up to 30%</b> A.G.I.  Tax deduction only for fair market value of marketable securities. For <b>other appreciated property</b> , like real estate, it is <b>limited to donor’s cost basis</b> .
<b>Charitable Deductions for Appreciated Property</b>	Tax deduction available <b>up to 30% of A.G.I.</b>	Same	Tax deduction is only available for <b>up to 20% of A.G.I.</b>
<b>Donor Control</b>	Donor makes advisory grant recommendations to CCF’s Board.	Donors hold significant organizational influence and, in conjunction with CCF, appoint the board, which makes all decisions.	Donor retains complete control, subject to IRS requirements.
<b>Anonymity (if desired)</b>	Yes – Donors/grants can be private. CCF can serve as a buffer.	Same	No – Must file detailed returns on grants, investments, fees, salaries, etc.

<b>Comparisons</b>	<b>CCF Advised Fund</b>	<b>CCF Affiliate</b>	<b>Private Foundation</b>
<b>Involvement of Successor Generations</b>	Limited to those living when fund is created, unless significant assets.	In perpetuity, as set by the board's policies.	In perpetuity as set by the board's policies.
<b>Creation</b>	Establish with a simple two-page agreement.	Corporation created with assistance from CCF.	Nonprofit corporation or trust organized as a private foundation.
<b>Self-Dealing Rules</b>	Do not apply.	Do not apply	Strict regulations prohibit most transactions between a private foundation and its donors (including related persons or organizations).
<b>Payout Requirements</b>	Do not apply	Do not apply	Must <b>pay out for charitable purpose at least 5% of its asset value annually</b> , regardless of its income.
<b>Administrative Concerns</b>	Services provided by CCF	Have access to a full range CCF services. Economies of scale in the areas of investment management and administration can mean lower costs.	Must hire staff, contract out work, or use volunteer services of directors.
<b>Federal Taxes</b>	None	None	Subject to an <b>excise tax of up to 2%</b> of net investment gain, including net capital gains and income.

**Comparisons    CCF Advised Fund    CCF Affiliate    Private Foundation**

<p><b>Annual Tax Filings (Form 990)</b></p>	<p>Not required (Included in CCF's 990 Report).</p>	<p>Files IRS Form 990, which is less complicated than the Form 990-PF filed by a private foundation. Can be prepared by CCF.</p>	<p>Must be filed by the private foundation with required schedules.</p>
<p><b>Investment Management</b></p>	<p>May use CCF's investment management serves.</p>	<p>May use CCF's investment management serves.</p>	<p>Must research, secure, and monitor investment management services.</p>
<p><b>Fiduciary Responsibility</b></p>	<p>CCF fulfills the associated fiduciary responsibilities.</p>	<p>Administrative guidance provided by CCF.</p>	<p>The foundation board has fiduciary responsibilities.</p>
<p><b>Primary Advantages</b></p>	<p>Deductibility Nonprofit Knowledge Flexibility Permanence Freedom from Care</p>	<p>Deductibility Separate Board Family Identity More Apparent Control</p>	<p>Control Independence Family Identity Employment of Children</p>