



# YOUR OWN FOUNDATION

*Choosing your Community Foundation for your Charitable Giving*

## Community Foundation vs Private Foundation

If you're wanting to start your own Foundation for charitable giving, consider using your Community Foundation. A private foundation allows extensive donor control over distributions, board selection, and investment management, but they are highly controlled by the IRS with many special restrictions and regulations, including administrative and reporting burdens, excise taxes, and a required minimum payout. When you establish a fund with your Community Foundation, you still have control over distributions but the responsible fund management is taken care of by experts in the field of philanthropy who get to know you and your charitable goals.

Comparisons	Community Foundation	Private Foundation
Creating the Foundation	Established at CFNCW by a simple agreement	Nonprofit corporation or trust organized as a private foundation with additional legal and tax advice
Tax Exempt Status	Shares the public charity tax exempt status as a "component" of CFNCW	Must apply for private foundation tax-exempt status from the IRS
Start-up Costs	No cost to donor	Similar to a corporate start-up requiring substantial legal, accounting, and operational start-up costs
Recommended Size	\$5,000 or more	Substantial assets required (\$5-\$10M)
Charitable Deductions for Cash Gifts	Tax deduction of up to 50% of adjusted gross income (AGI)	Tax deduction of up to 30% of adjusted gross income (AGI)
Charitable Deductions for Appreciated Property	Tax deduction available for full fair market value of marketable securities and other property	Tax deduction may be taken for fair market value of marketable securities up to 20% of AGI. Tax deduction for other property is limited to the lower of cost or fair market value
Donor Control	Donor makes advisory grant recommendations; final decision rests with BCF's board of trustees	Donor retains complete control over investments and grant making, subject to IRS requirements
Self-Dealing Rules	Private foundation self-dealing rules do not apply	Strict regulations prohibit most transactions between a private foundation and its donors (including related persons or organizations)
Payout Requirements	Upon donor discretion	Must pay out for charitable purposes at least 5% of its asset value annually, regardless of its income
Contact with Potential Grantees	CFNCW provides at donor request	Donor must provide
Administration (personnel, facility, grant management)	Services provided by CFNCW	Must establish and/or obtain these services, which can be costly
Annual Taxes	None	Subject to an excise tax of up to 2% of net investment gain, including net capital gains and income
Annual Tax Filings and Returns (990 Report)	Not required (reported as part of CFNCW's annual reporting)	Must be filed by the private foundation with required reporting schedules
Investments	Fund assets are professionally invested through CFNCW's investment program	Must research, secure, and carefully monitor its own investment vehicles
Fiduciary Responsibility	CFNCW fulfills the associated fiduciary responsibilities	The private foundation board has fiduciary responsibility
Liability and Risk Insurance	Provided by CFNCW	Must be purchased by the private foundation

