



PRIVATE FOUNDATION OPTIONS AT THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

Alternatives to a Private Foundation

There are alternatives to a private foundation that can still meet the charitable, financial, and estate planning needs you may have. The Community Foundation of North Louisiana can help you analyze the pros and cons of creating a *donor advised fund* or a *private foundation*.

In recent years, the appeal for wealthy individuals to establish a private or family foundation has been minimized by significant limitations on charitable deductions available for gifts to private foundations. Instead, many are turning to their local community foundation to create a permanent philanthropic fund. This way, they ensure their charitable mission and pattern of charitable giving forever.

In addition, the government highly controls private foundations with many special restrictions, including administrative and reporting burdens, excise taxes, and a required minimum annual payout.

Establishing a donor advised fund at the Community Foundation of North Louisiana allows you to avoid administrative and cost burdens, keep the Foundation's purpose current, and continue to make an impact in the community.

Private Foundation Alternatives

The Community Foundation has compiled this comparison to help you decide the best structure to meet a variety of needs. As you study this chart, you will notice that two of the alternatives, a donor-advised fund and a supporting organization, are based on a relationship with The Community Foundation of North Louisiana.

Donor-Advised Fund

Donor-advised funds allow donors to make suggestions on which publicly supported 501(c)(3) nonprofit organizations should receive grants each year. These funds also provide a way to communicate family or individual values. Contributions to donor-advised funds qualify for all available tax deductions and benefits as provided by current law.

Private Foundation

A private foundation allows extensive donor control over distributions and board selection. However, the government highly controls private foundations with many special restrictions, including administrative and reporting burdens, excise taxes, and a required minimum annual payout.

Highlights

- Granted more than \$46 million to nonprofits since 1961
- More than 4,000 grants and scholarships awarded since 1961
- In 2012, more than \$3.1 million distributed
- \$86.5 million in total assets

Comparisons	Donor-Advised Fund	Private Foundation
Description	For family, corporate or individual donors who wish to actively advise the Foundation about grant recipients	For donors who want extensive control over grantmaking, investment decisions, and board selection
Donor Control	Donor provides advice to Foundation board on grants, resulting in practical, if not legal, control of grants; must adhere to Foundation investment policy	Donor retains complete control over board, investments, and grantmaking; subject to IRS regulations
Minimum Contribution	\$5,000	Substantial assets required
5% Minimum Payout Requirement	No	Yes
Annual Fees	1% annually for all funds	Administration can be costly
Start-up Fee	None	Similar to corporate start-up requiring substantial legal, accounting, and operational start-up costs
Investment Flexibility	Foundation offers donors limited number of investment strategies	Must research and secure its own investment vehicles; must divest excess business holdings (closely-held stock) within five years or pay excise tax
Continuity	Can continue to future generations	Can continue to future generations
Tax Deductibility	Public charity deductibility – market value Property: 30% AGI Cash: 50% AGI	Property: 20% AGI Cash: 30% AGI
Income Tax Deduction for appreciated property	Fair market value	Basis
Excise Taxes	Exempt from excise taxes	Excise taxes (Section 4940-4945) 1-2% of investment income
Annual Tax Filings and Returns	Not required (reported as part of CFNLA’s annual reporting)	Must be filed by the private foundation with required supporting schedules
Staff	Access to CFNLA’s staff for investment and grantmaking expertise	Can employ family members
Administration	Simple: Can establish in one day No separate tax returns required	Burdensome administration: Accounting Recordkeeping Tax return (form 990-PF)
Fiduciary Responsibility	CFNLA fulfills the associated fiduciary responsibilities	The private foundation board has full fiduciary responsibility
Liability & Risk Insurance	Provided by CFNLA	Must be purchased by the private foundation
Creating the Foundation or Fund	Established at CFNLA	Nonprofit corporation or trust organized as a private foundation
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 corporations)

The Community Foundation of North Louisiana is your *Premier, Local Source for Comprehensive Charitable Gift Planning*

How We Serve You

We are here to serve you and to facilitate all forms of charitable giving. The Community Foundation will:

- Suggest giving vehicles and options for achieving the donor's philanthropic goals
- Provide illustrations and projections and draft or review necessary documents
- Provide knowledge or guidance on the community's greatest needs
- Update you on the latest legal and tax issues on charitable giving

All services are provided confidentially, at no cost to you.

Why transferring a private foundation to The Community Foundation may be right for you

- The Foundation will take care of the administrative functions and requirements allowing you to concentrate on grantmaking
- You have access to The Foundation's experienced staff for research on community needs and compliance with grantmaking procedures
- Because it is a public charity, the tax benefits for gifts to the Community Foundation are greater than gifts to a private foundation

About The Community Foundation

The Community Foundation's mission is to strengthen the community through philanthropy. Our expertise in grantmaking, charitable giving, and community leadership offers you a trusted advisor, partner and friend who will help you personalize your philanthropy. The Foundation can maximize your gift's potential and make your philanthropy effective, meaningful, and enjoyable.

The Community Foundation of North Louisiana is a tax-exempt public charity established in 1961 as a savings account for the city.

The Community Foundation is a family of personalized charitable funds and partners. We leverage a growing base of more than \$86.5 million in total assets and knowledge to meet the community's greatest needs and opportunities.

For more information, please call Paula Hickman at (318) 221-0582.

