



## THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY HOW WE CAN HELP: PRIVATE FOUNDATIONS

The Community Foundation of the New River Valley provides a way for citizens of our mountain region to enjoy tax advantages and professional management otherwise available only to the wealthiest philanthropists. The chart below summarizes key differences between the Community Foundation - which enjoys special legal and tax status as a public charity – and a private foundation.

If you are considering a private foundation, the Community Foundation can offer significant tax advantages, comparable philanthropic flexibility, and proven professional administration for both investments and grant making.

An existing private foundation can transfer its assets into a component fund of the Community Foundation, and retain its identity as a distinct fund. Terminating the private foundation releases it from excise tax, administrative costs, reporting requirements and other restrictions while benefiting from the Community Foundation's administrative efficiency, tax savings, and simplicity. The result is often increased income for charitable purposes, as well as relief from administrative burdens.

	Community Foundation	Private Foundation
<b>Costs</b>	<ul style="list-style-type: none"> <li>• No fees for establishing a fund.</li> <li>• Investment and administrative costs minimized through economies of scale.</li> </ul>	<ul style="list-style-type: none"> <li>• Start-up costs and fees for accounting, investment, reporting, and tax services reduce dollars available for charitable purposes.</li> </ul>
<b>Taxes</b>	<ul style="list-style-type: none"> <li>• No excise tax</li> <li>• Cash contributions deductible up to 50% of adjusted gross income.</li> <li>• 100% of market value of appreciated property (up to 30% of adjusted gross income) may be deducted.</li> </ul>	<ul style="list-style-type: none"> <li>• Private foundations pay an annual excise tax of up to 2% of net investment income.</li> <li>• Cash contributions are deductible up to 30% of adjusted gross income.</li> <li>• Contributions of appreciated property are generally deductible only up to cost basis.</li> </ul>
<b>Payout</b>	<ul style="list-style-type: none"> <li>• No payout requirements are imposed.</li> </ul>	<ul style="list-style-type: none"> <li>• 5% of net asset value must be paid out annually to qualified charities, regardless of investment earnings. This limits investment flexibility and potentially reduces the inflation-adjusted value of foundation assets.</li> </ul>
<b>Duties</b>	<ul style="list-style-type: none"> <li>• Community Foundation assumes all responsibilities on behalf of donors: <ul style="list-style-type: none"> <li>- preparation of annual reports</li> <li>- public reporting requirements</li> <li>- documentation for donor's tax purposes.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Detailed reports, including a financial audit must be filed annually. Trustees must perform or hire staff for these and other services.</li> </ul>
<b>Effective Grant making</b>	<ul style="list-style-type: none"> <li>• Donors may set guidelines for their fund, which will be carried out in perpetuity.</li> <li>• Grant recommendations are flexible and can change along with charitable priorities and needs.</li> <li>• A professional staff, knowledgeable about the needs of the community and the effectiveness of nonprofit organizations, is available to answer questions and offer guidance for effective grant making.</li> </ul>	<ul style="list-style-type: none"> <li>• Private foundations are dependent upon donors' or family members' time and expertise to select grant recipients and monitor results. Gaining family consensus on priorities may be difficult.</li> <li>• Family member distanced by generations and geography from those who established the foundation may find administrative duties burdensome.</li> <li>• The nonprofit sector is dynamic and growing. Hundreds of organizations are eligible to receive grants. Effective grant making requires familiarity with the region, local nonprofit organizations, and national trends in the nonprofit sector. Evaluation of grant effectiveness requires clear protocols and timely follow-up.</li> </ul>
<b>Account-Ability &amp; Liability</b>	<ul style="list-style-type: none"> <li>• Donors may remain anonymous. Even if their names are known, they can be protected from solicitation by charitable groups.</li> <li>• Restrictions applicable to private foundation do not apply.</li> </ul>	<ul style="list-style-type: none"> <li>• Donors are named on the private foundation's tax return, widely available through public sources and required to be furnished upon request. Any group seeking funds has access to this information.</li> <li>• Special regulations govern and limit the investments and grant making of private foundations. All actions are monitored for self-dealing. The private foundation and those associated with it are liable for taxes and penalties arising from infractions.</li> </ul>