

The Spencer County Community Foundation as an Alternative or Successor to a Private Foundation

A private foundation can be the right solution for people who wish to create a vehicle that allows them to maintain long-term involvement with charitable assets. However, the disadvantages of private foundations—including costs, administration, and reduced tax benefits—cause some to seek another alternative. The Spencer County Community Foundation, a member of the Community Foundation Alliance, enables individuals to secure maximum tax deductions, involve family members and advise the grant distributions. While some people may find a private foundation perfect for their charitable goals, the option of establishing a fund within the Community Foundation is often more attractive.

Things to Consider	Create Donor-Advised Fund with the Spencer County Community Foundation	Create Private or Corporate Foundation
Organization	Community Foundation established (1996)	Must establish
Tax exempt	501(c)(3) Status	Must establish with IRS
Funds required	\$10,000 recommended	Experts recommend \$1 million minimum
Selection of grantees	Donor, family or his/her advisory committee recommends grantees	Donor specifies grantees
Tax deductibility of gifts	<ul style="list-style-type: none"> • Up to 30% of donor's adjusted gross income (50% with cash donation) • Excess may be carried over for five years 	Limited to 20% of donor's adjusted gross income (30% with cash donation)
Federal approvals, restrictions and special taxes	<ul style="list-style-type: none"> • Approved by IRS • No payout requirement • No Federal Excise Tax 	<ul style="list-style-type: none"> • Must receive IRS Approval • IRS requires that 5% of assets be paid out annually • Fund is charged 2% federal excise tax on income unless strict requirements are met • Greater incidence of IRS field audit
Legal documents for creation of foundation, designation of funds and grant awards	In place	Must create
Office	In place	May need to obtain
Staffing	In place	May need to obtain
Accounting	In place	Must obtain
Tax return (state and federal)	Community Foundation prepares	Must prepare
Public report	Report to public made annually	Must prepare reports for the general public
Knowledge of potential grantees	Community Foundation provides	Must develop
Grant evaluation process to ensure donor's intent satisfied	In place	Must develop
Public recognition for donor	Fund may be named or anonymous. Community Foundation publicizes grants made from funds, if desired	Must provide or rely on grantee organization
Director/officer liability	In place	Must obtain
Investment of assets	Board investment committee oversees investment policies and strategies, with assistance of a professional and independent financial consultant	Must establish policies and select investments
Organization overhead	1% fee on fund values	Substantial costs; plus 2% federal excise tax on income

Spencer County Community Foundation

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