

Compare These Approaches to Giving

Discover the Benefits of Working through Your Community Foundation

	Community Foundation	Private/Family Foundation*	Commercial Gift Fund
Establishing a Fund	Your Community Foundation fund can be established quickly and efficiently with simple documents.	Establishing a new foundation requires legal, accounting and operational expenses on an on-going basis.	Sponsors of commercial gift funds are generally not located in your community. Direct contact may be difficult due to their size.
Tax Exempt Status	A Community Foundation is a public charity with 501(c)(3) status and is fully tax exempt.	Donor must establish a separate nonprofit corporation and apply for federal tax exemption with articles of incorporation and bylaws.	Public charity covered under nonprofit status of corporate entity's charitable subsidiary.
Tax Treatment of Cash Gifts	Tax deduction of up to <u>50%</u> of Adjusted Gross Income (AGI).	Tax deduction of up to <u>30%</u> of Adjusted Gross Income (AGI).	Tax deduction of up to <u>50%</u> of Adjusted Gross Income (AGI).
Tax Treatment of Appreciated Publicly Traded Securities	Tax deduction of 100% of fair market value up to <u>30%</u> of AGI.	Tax deduction of up to 100% of fair market value up to <u>20%</u> of AGI.	Tax deduction of 100% of fair market value up to <u>30%</u> of AGI.
Tax Treatment of Appreciated Closely Held Stock	Tax deduction of 100% of fair market value up to <u>30%</u> of AGI.	Tax deduction generally limited to cost basis up to <u>20%</u> of AGI.	Tax deduction of 100% of fair market value up to <u>30%</u> of AGI, but closely held stock usually not accepted.
Tax Treatment of Real Estate Gifts	Tax deduction of 100% of fair market value up to <u>30%</u> of AGI.	Tax deduction generally limited to cost basis up to <u>20%</u> of AGI.	Real estate usually not accepted.
Annual Tax Returns	Individual funds are not required to file. The Community Foundation handles all reporting, prepares and files all tax reports to the IRS and provides an annual independent audit.	Must file annual Federal 990-PF and supporting schedules, which indicate staff salaries, investment performance, fees, etc. Trustees must perform, contract or hire staff for these services.	The commercial gift fund is responsible for filing annual tax returns.
Investments	A diversified portfolio and economies of scale offer efficiencies and minimize risks. A Community Foundation works with professional money managers and its Investment Committee provides experienced oversight.	Selection of investment strategies and professional fund advisors can become a very time consuming responsibility for a private foundation's Board of Trustees.	Donors may choose from among firm's investment pools. In some cases, donor's investment advisor can manage assets.
Administrative Expertise	A Community Foundation provides expertise to donors on a wide range of gift management, finance and fund administration issues.	Must hire staff or Board members to carry out administrative tasks on their own.	Varies.
Grantmaking Distributions and Requirements	Community Foundation considers assets on rolling multi-year basis and grants accordingly to protect principal and future grant distribution capacity of endowed funds.	Subject to excise taxes and 5% grant distributions requirements.	Payout requirement varies; some require a minimum of 5% of the fund's net assets on a five-year rolling basis.

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Grantmaking Support	Professional staff is available to assist donors by identifying community needs and opportunities, assessing grantees, verifying grantee nonprofit status, and conducting research and program evaluation to ensure maximum community impact.	Donors must arrange and support their own grantmaking and monitoring structure. Requires extensive time to review proposals, investigate community needs, confirm status of grantees and evaluate previous distributions.	Varies. Most do not have professional grantmaking experience. Minimum due diligence is provided to ensure grants are used as donor intended by the grant recipients. The attention given to each fund may be outweighed by the large number of funds administered.
Donor Involvement in Grantmaking	Donor recommends grants for qualified nonprofit groups and has Community Foundation handle all grantmaking. Grants are approved by Community Foundation.	Donor appoints Board, which controls investments and grantmaking.	Donor recommends grants to qualified nonprofit groups. Grants are approved by trustees of the gift fund.
Flexibility	As a public charity, a Community Foundation's organizational structure is purposely designed to allow greater flexibility to respond to and meet emerging needs and opportunities in the community.	Expensive and lengthy legal proceedings may be required to change the purposes of a private foundation.	Typically provide limited options in their charitable product offerings.
Accountability	A Community Foundation obtains an independent audit each year. Publication of an annual report, and thoughtful selection of Board members to ensure funds are used in the communities' best interests.	Laws and regulations governing private foundations differ greatly from those of public charities and may require expensive specialized legal and finance expertise.	Donor needs to check with the commercial gift fund sponsor to determine what accountability measures are taken.
Privacy	Individual donors or grants remain anonymous. If the donor wishes, the Community Foundation can serve as a buffer between the donor and grantseekers.	Required to file tax returns on grants, investment fees, staff salaries, etc. These are public records and are compiled into grantseeker directories with the names and addresses of substantial donors and details of donations.	Donors may remain anonymous.
Ongoing Costs	Pooled administration; annual fee supports Community Foundation's charitable work in the community as there are no shareholders or private investors with a Community Foundation.	Can be several thousand dollars for legal, accounting and filing fees.	Varies.

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*There is a difference in the tax treatment of an 'operating' vs 'non-operating' private foundation.

NOTE: Policies and laws governing charitable gifts are subject to change. Examine carefully the policies that apply when you create a fund or foundation. The Community Foundation is not in the business of rendering legal, accounting or financial advice. Always discuss your plans with your attorney, accountant or financial advisor.



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Confirmed in Compliance

with National Standards for U.S. Community Foundations