

CHOOSING YOUR PATH TO PHILANTHROPY

Private Foundations or Whatcom Community Foundation Partnership Opportunities



WHATCOM
community
FOUNDATION

PRIVATE FOUNDATION
(PF)

SUPPORTING ORGANIZATION
(SO)

DONOR ADVISED FUND
(DAF)

WHATCOM COMMUNITY FOUNDATION SPECIFIC

SET-UP CONSIDERATIONS

COSTS

Most recent figures show that the average admin cost and investment fees of private foundations varies between 1.5-3.0% of assets.

Private foundations of under \$5 million may have higher average costs. Start-up costs can be substantial.

Costs are kept to a minimum through collaboration with WCF, and expenses may vary based on the needs and desired structure of the supporting organization.

Fees are set based on organizational structure, anticipated level of activity and support.

WCF's DAF service fees are tiered from 0.5% to 2% depending on fund type and assets. For fund's of \$500,000 and above, the effective rate is a blend (please refer to WCF's fee schedule).

There are no start-up costs involved.

TIME FRAME

Generally, 1-2 months.

Less than one month.

Immediate.

MINIMUM GIFT SIZE

≥ \$5 Million typically recommended.

~ \$1 Million.

\$5,000 - \$10,000, dependent on fund type.

INCOME TAX DEDUCTIONS

CASH

Up to 30% of adjusted gross income (AGI).

Up to 50% of adjusted gross income (AGI).

Up to 60% of adjusted gross income (AGI).

PUBLICLY TRADED SECURITIES

Full fair market value up to 20% of AGI.

Full fair market value up to 30% of AGI.

Full fair market value up to 30% of AGI.

CLOSELY HELD STOCK/REAL ESTATE

Limited to donor's cost basis, up to 20% of AGI.

Full fair market value up to 30% of AGI.

Full fair market value up to 30% of AGI.



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ADMINISTRATION

<p>PROFESSIONAL MANAGEMENT & OVERSIGHT</p>	<p>Performed by trustees, staff and/or hired professionals.</p> <p>Considerations include succession plans, guaranteeing effective management and federal compliance.</p>	<p>Board governance is shared between the SO and WCF appointees. WCF handles all admin. management.</p> <p>SO investments may also benefit from WCF professional staff, investment experience and more favorable investment fees.</p>	<p>WCF handles all administration.</p> <p>Funds benefit from professional management as well as board fiduciary oversight in perpetuity.</p>
<p>GRANT ADMINISTRATION</p>	<p>Performed by trustees, staff and/or hired professionals.</p>	<p>Professional staff are available to help identify and assess grantees, provide input on community opportunities & needs, and verify nonprofit status of groups.</p> <p>WCF will make grant payments and help monitor performance. SO board makes grant decisions.</p>	<p>Donor/Advisor(s) recommend grants to eligible 501(c)(3) organizations. WCF conducts due diligence, make grant payments, monitor performance and, if the Advisor(s) wish, may assist in establishing grant guidelines and philanthropic goals, identifying potential recipients.</p>
<p>INVESTMENT, ACCOUNTING, AUDIT & TAX RETURNS</p>	<p>Performed by trustees, staff and/or hired professionals.</p>	<p>All or some services can be provided by WCF, based on donors' wishes. Tax returns are prepared by WCF.</p>	<p>WCF handles all investments and accounting, files annual tax return and provides an annual independent audit.</p>

TAX CONSIDERATIONS

<p>TAX STATUS</p>	<p>IRS rules for a private foundation's tax-exempt status applies.</p>	<p>The SO benefits from the WCF's public charity status.</p>	<p>The DAF benefits from the WCF's public charity status.</p>
<p>INCORPORATION & TAX EXEMPTION</p>	<p>Must create a corporation and apply for tax exemption, classified as a private foundation.</p>	<p>Any existing incorp/ bylaws require updating. The SO would be classified under WCF as a public charity.</p>	<p>Automatically covered by WCF's tax exemption.</p>
<p>EXCISE TAX</p>	<p>Excise tax is 1.39% of net investment income annually. (Additional excise taxes may apply.)</p>	<p>No excise taxes.</p>	<p>No excise taxes.</p>



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REQUIRED DISTRIBUTION

Required to disburse 5% of asset value each year regardless of investment performance.

No required annual payout.

No required annual payout.

GRANTMAKING SUPPORT

PF/Donors must create and pay for their own grantmaking and monitoring structure to support PF activities.

WCF's staff is available to help identify and assess grantees, provide input on community opportunities and needs, and conduct due diligence on potential grantees.

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DONOR/ADVISOR INVOLVEMENT

PF appoints Board of Directors, which controls financial investments and grantmaking, and ensures legal compliance.

WCF and Donors/Advisors work together to appoint and support a Board. SO board oversees investments and grantmaking.

Donor/Fund Advisors recommend grants to eligible nonprofit groups. WCF conducts due diligence, issues and monitors grants.

OTHER CONSIDERATIONS

PRIVACY

Required to file IRS Form 990 PF, the federal tax return for PFs. 990s are public records that include board member names and are compiled into published directories for grant seekers.

Donors and/or grants may be kept private. Upon request, WCF can serve as an intermediary between donor and grant seekers, allowing anonymity.

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FUND CHANGES

Court proceedings may be required to modify the original purpose of the foundation.

SO's Board may recommend changes to WCF Board for approval.

Upon request, fund purpose and direction may be modified to better serve the community and/or philanthropic goals.

LIABILITY & INSURANCE

D & O and liability insurance, employee bonding, and office insurance are purchased.

D & O and liability insurance may be required.

Covered by WCF's insurance policies.