

# San Angelo Area Foundation

*in Partnership with*

## Private Foundations



SAN ANGELO AREA FOUNDATION

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# Private Foundations Services

Creating a private foundation can be an exhilarating experience for an individual or family. It is a public affirmation of their philanthropic spirit and commitment to support worthy charitable activities. However, many individuals create private foundations to facilitate their current philanthropic giving only to later discover that the process of managing the foundation's affairs is not as simple as it once seemed.

As a Community Foundation, the San Angelo Area Foundation offers several solutions to address concerns about private foundation management and philanthropic impact. We can work with the donor and their your professional advisor to determine which option is best for the donor and facilitate the process.

## Option One:

### **Supplement A Private Foundation's Work with a Donor Advised Fund**

On occasion, the trustees of a private foundation may have difficulty meeting the annual 5% payout requirement. We can assist by accepting contributions from a private foundation's annual payout into a donor advised fund.

#### *Donate to a Donor Advised Fund:*

Because the private foundation's contribution to the Community Foundation is a "qualifying distribution," it counts toward the 5% payout. One or more trustees of the private foundation can be named as fund advisor(s). Once you've made your donation, the Community Foundation disburses grants to qualified agencies from the fund as recommended by the fund advisor(s). Staff can help research favorite causes and not-for-profits and assist with strategic philanthropy planning. Through this option, the fund advisor(s) will still be able to guide the private foundation's investment strategy, but have greater options for effective and strategic grantmaking.

# Private Foundations Services

## Option Two:

### **Administrative Services Provided by the San Angelo Area Foundation**

If your private foundation needs specific services, such as back-office support or grant-making assistance, the San Angelo Area Foundation can easily assist you. Our staff can help your foundation's trustees as they make decisions regarding grant requests. We can offer insight on current community needs, organizations that are meeting them, and the effectiveness and efficiency of local not-for-profit organizations.

Some of our fee for service offerings include:

- Personal consultations on which local not-for-profit organizations are making a difference in your areas of interest
  
- Development of grantmaking vision and strategy
  
- Complete tracking of grantmaking, from distributing applications to collecting progress reports
  
- Coordination of site visits to potential, current, or former grantees

## Option Three:

### **Convert A Private Foundation to a Fund**

In many instances, converting a Private Foundation into a donor advised fund at the San Angelo Area Foundation can alleviate administrative burdens and increase your philanthropic impact.

Getting Started is Easy!

We are happy to meet with the donor and professional advisor to discuss these options and further explain how we can facilitate the donors philanthropy.

# Private Foundation Conversion

## What the Donor Retains

### Identity

A named Fund lets you or your family retain your identity and stature in the community. For example, the Jones Family Foundation typically becomes the Jones Family Foundation Fund. Your family can retain websites, events, and other identifying collateral materials.

### Charitable Intent

The same mission and focus of your current Foundation can be incorporated into the establishing guidelines and objectives of your Fund.

### Grant Making

As Fund advisor(s) you recommend grants which are then implemented by the staff of the San Angelo Area Foundation. The same internal grant evaluation procedures currently in use can be utilized by the new Fund. Additionally, the San Angelo Area Foundation personnel ensure that the Fund complies with all IRS granting guidelines and requirements.

### Family Legacy

A Fund established at the San Angelo Area Foundation enables families to teach their children, grandchildren, and subsequent generations the importance and wisdom of supporting organizations that make a positive impact in our community.

### Perpetuity

Successor Fund advisors can be named for generations. The Fund will maintain its name in perpetuity.

## What the Donor Eliminates

### Distribution Requirements

Private foundations are required by IRS regulations to distribute at least 5% of the foundation's assets each year. Donor advised funds currently have no such annual requirement. This provides fund advisors flexibility in adjusting grants to changing economic environments.

### Excise Tax

Private foundations are required to pay a 1 – 2% excise tax on investment income. Funds at the San Angelo Area Foundation have no such tax.

### Tax Returns & Audits

Private foundations are required to file annual 990-PF tax forms, and depending upon the size of the private foundation, may need annual audits, as well as incurring occasional legal expenses. These administrative costs and functions are not required of funds within the San Angelo Area Foundation.

### Administrative Burden

Donors to individual funds within the San Angelo Area Foundation can choose to be as involved as they desire in the administrative duties, such as grantmaking research, documentation, follow-up and reporting. Fund advisors can continue to perform all such tasks or delegate them to the San Angelo Area Foundation's experienced staff.



# Private Foundation Conversion

## What the Donor Gains

### Favored Tax Status

For any new assets contributed to the Fund (beyond the initial funding) donors receive tax deductions significantly higher than under the previous private foundation status. For example, 50% of AGI vs. 30% of AGI for cash donations and full market value for real estate contributions vs. cost basis, among others.

### Expertise and Support

The staff of the San Angelo Area Foundation has expertise regarding the issues, trends and key players throughout our region. Staff are charged with ensuring that grants from our funds carry out the donor's purpose effectively. Donors who have advised funds can consult with staff on their charitable giving.

### Professional Investment Management

Fund holders gain professional investment management of their assets. The San Angelo Area Foundation utilizes an investment advisor to recommend asset allocation. This process is overseen by the Investment Committee of the Foundation's Board.

### Choice of Anonymity

As a public charity, the San Angelo Area Foundation is generally not required by the IRS to disclose the names of donors. Donors who do not desire publicity and wish to keep their gifts anonymous can accomplish this through a fund at the San Angelo Area Foundation. Private foundations, on the other hand, are required to make public the names of their donors.

# Comparison of Gifting Vehicles

Donor Advised Fund	Private Foundation
Quick and easy to establish	Multiple filings required to obtain tax-exempt status
Exempt from annual 5% minimum distribution requirements	Subject to monetary penalties if income not distributed
Exempt from investment excise tax	Generally subject to a 2% tax on net investment income
Deduction taken up to 50% of adjusted gross income for cash gifts	30%
Deduction taken up to 30% of adjusted gross income for gifts of publicly traded stock	20%
Fair market value deduction on gifts of real estate or closely held stock	In most cases the deduction is given for donor's cost basis
Contributions and grants anonymous from the public when desired	All grants and contributions available for public inspection on tax return
Donor free from filing annual federal and state tax returns	No
Donor exempt from annual audit requirement for foundations with more than \$2 million in annual revenue	Annual audit required for foundations with more than \$2 million in revenue
Donor free of liability from jeopardizing investments	Subject to monetary penalties and risk of losing tax-exempt status
Quick and easy to terminate	Multiple filings and notifications required
Expert staff immediately available to help with issues about your fund/foundation	Need to hire staff or recruit volunteers