

# THE SAVANNAH COMMUNITY FOUNDATION, INC.

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## COMMUNITY FOUNDATIONS

### A COST EFFICIENT ALTERNATIVE TO PRIVATE FOUNDATIONS

What is the ideal vehicle for making a long term charitable gift while getting an immediate tax deduction and retaining influence over the money for years to come? For many people and organizations, the answer is a Community Foundation.

Although approved by the IRS for decades, the more than 600 Community Foundations in the USA remain a poorly understood and often overlooked resource that achieve all the benefits of a private foundation (and more) without the many of the drawback of a private foundation.

While a Community Foundation may function in several ways, the common theme is that a donor (be it an individual, a company or, even, another charitable organization) establishes a fund with the Community Foundation and from time to time transfers assets to the Community Foundation for addition to that fund. The Community Foundation (whose directors typically are a mix of leading citizens and professionals such as accountants, attorneys, bankers and brokers) oversees the investment of the funds through a professional money manager either chosen by the Community Foundation's Investment Advisory Committee or suggested by the donor. Distributions then can be made over time from the donor's fund to one or more charities suggested by the donor (either by individual name or field of interest). Although legal ownership of the donated assets passes to the Community Foundation at the time of contribution (thereby generating the most immediate and greatest tax deduction possible for the donor), the donor typically is given the privilege of suggesting to the Community Foundation how, when and to whom charitable distributions are to be made.

An added advantage to the donor is that the Community Foundation handles all legally required notifications to donors and donees, tax filings, audits and public disclosures of information, leaving the donor free to focus on charitable matters without having to worry about whether an inadvertent violation of an obscure rule is going to attract the displeasure of the IRS or other governmental agencies.

Setting up a fund with a Community Foundation generally is a matter of signing a short, simple, straight-forward agreement, versus the delays, legal complexities and thousands of dollars of legal fees and IRS filing fees associated with establishing a private foundation.

The following table summarizes the key differences in Community Foundations and private foundations.  
(Tax laws continually evolve. Please consult your tax advisor with regard to your particular situation.)

**Comparison Table of Community Foundations vs. Private Foundations**

	<b>Community Foundations</b>	<b>Private Foundations</b>
<b>Amount Deductible (Subject to % Limits)</b>		
Publicly Traded Securities	Up to Fair Market Value (FMV)	Up to FMV
Other Appreciated Property	Up to FMV	Up to Basis
<b>Percentage Limitations</b>		
Cash Gifts	50% of Adjusted Gross Income (AGI)	30% of AGI
Appreciated Property	30% of AGI	20% of AGI
<b>Other Considerations</b>		
Excise Tax on Investment Income	No	2%
Excess Business Holdings Limitations	No	Yes
Donor Control	Advise	Control
Anonymity	Yes	No
5% Annual Distribution Requirement	No	Yes
Incorporation, Obtaining Tax Exemption, Audit/Tax Returns, Directors/Officers Insurance, Grants Management, Investment Management, Compliance with Federal and State Laws	Community Foundation handles all administration	Private Foundation is responsible for all administration ( <u>Personal</u> liability for donors, directors and officers; punitive taxes up to 100% of assets)
<b>Primary Advantages</b>	Flexibility Experience Knowledge Deductibility Permanence	Legal Control Independence

While a private foundation clearly is cost-prohibitive for a \$25,000 - \$100,000 donation, many professionals do not recommend them except for people able to endow \$5,000,000 or more. For the rest of us, the Community Foundation provides a simple, low cost alternative that can achieve essentially all the benefits of a private foundation without most of the liabilities.