

# Private Foundation vs. The Community Foundation

Your clients can set up their own charitable giving fund with the Montgomery County Community Foundation (MCCF) to give to the causes they care most about around the world, in the metropolitan region, and especially in Montgomery County. No matter how big or small, their fund will feel like a staffed foundation, but without the time or expense!

	Montgomery County Community Foundation	Private Foundation
<b>ESTABLISHING A FUND</b>		
Ease of establishment	Fund opened in less than 24 hours with one standard agreement with the Community Foundation.	Must form a nonprofit corporation or trust organized as a private foundation; file for incorporation and tax exemption, create by-laws, select trustees. May take several months.
Tax-exempt status	Receives 501(c)(3) public charity status as component fund of the Community Foundation. No paperwork required.	Must establish separate tax-exempt status as private foundation.
Start-up costs	None.	Requires legal, accounting, and operational costs similar to a business.
Minimum size	\$10,000	No minimum, however \$3-5 million recommended to justify operating costs.
<b>INCOME TAX DEDUCTIONS</b>		
Cash gifts	Up to 50% of AGI.	Up to 30% of AGI.
Publicly traded securities	Fair market value up to 30% of AGI.	Fair market value up to 20% of AGI.
Real estate, closely held securities, and other special categories	Fair market value up to 30% of AGI.	Cost basis up to 20% of AGI.
<b>GRANTMAKING</b>		
Minimum payout	None required.	5% annual payout required.
Grantmaking	Donor recommends grants; Typical 3-5 day process for IRS required due diligence on prospective grantees & approval by Community Foundation Board.	Donor retains control over grantmaking; limited by IRS requirements.
Liability	MCCF assumes all liability and risk.	Responsible for all liability and risk; must maintain insurance.
Privacy	Donors and their grantmaking may remain anonymous.	IRS requires annual 990-PF to list all grants & officers/directors/trustees.
<b>ADMINISTRATION</b>		
Professional staffing	Staff provide customized "high touch" services to all fund holders.	Must employ staff or retain consulting services.
Investments	Many investment options including option to recommend preferred outside money manager to manage fund assets.	Research and manage own investment vehicles.
Annual taxes and reporting	None required; reported as part of overall Community Foundation reporting.	Annual tax returns required; annual IRS 990-PF. Excise taxes of up to 2% of net investments, including capital gains.
Operating costs	Admin fee of 1.1% of annual fund balance. Funds over \$500K receive reduced fees.	Private foundations under \$1M average costs of 4.8% of assets. Foundations \$1M to \$10M average 3% of assets.
Fiduciary responsibility	Community Foundation fulfills fiduciary responsibilities.	Board has total fiduciary responsibility.

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