

The Catholic Foundation (TCF) vs. Private Foundation

Many of your clients will assume they need a private foundation to achieve their philanthropic goals. Over the years, we have found that most donors who establish funds with The Catholic Foundation enjoy virtually the same benefits that would accrue to a private foundation, but without the onerous reporting and spending requirements. A comparison follows:

Issue	Donor Advised Fund at TCF	Supporting Organization	Private Foundation
Creating the Foundation	Established at TCF by a simple agreement	Nonprofit corporation or trust created with assistance from TCF	Nonprofit corporation or trust organized as a private foundation
Tax Exempt Status	Shares the public charity tax exempt status as a "component" of TCF	Shares the public charity tax exempt status of TCF	Must apply for private foundation tax exempt status from the IRS
Start-up Costs	No cost to donate	Minimal costs through collaboration with TCF	Similar to a corporate start-up requiring substantial legal, accounting and operational start-up costs
Recommended Size	\$25,000 or more (\$10,000 minimum)	\$5 million or more	Generally \$2 to \$5 million to justify start-up costs
Charitable Deduction for Cash Gifts	Tax deduction of up to 60% of adjusted gross income	Tax deduction of up to 60% of adjusted gross income	Tax deduction of up to 30% of adjusted gross income
Charitable Deductions for Appreciated Value	Tax deduction available for full fair market value of marketable securities and other property. Tax deduction available up to 30% of adjusted gross income	Tax deduction available for full fair market value of marketable securities and other property. Tax deduction available up to 30% of adjusted gross income	Tax deduction may be taken for fair market value of marketable securities. Generally, tax deduction for other property is limited to the lower of cost or fair market value. Tax deduction available up to 20% of adjusted gross income
Donor Control	Donor makes advisory grant recommendations - final decisions rest with TCF's Trustees	Donor holds significant organizational influence and may appoint minority of the board	Private Foundation's Trustees or Directors retain complete control over investments and grantmaking, subject to IRS requirements
Self-Dealing Rules	Private foundation self-dealing rules do not apply	Private foundation self-dealing rules do not apply	Strict regulations prohibit most transactions between private foundation and its donors (including related persons or organizations)
Payout Requirements	Do not apply	Do not apply	Must pay out for charitable purposes at least 5% of its asset value annually, regardless of its income
Administration	Services provided by TCF	Affiliation with TCF provides access to existing services	Must establish and/or obtain these services
Operational and Grantmaking Guidance	TCF staff available to consult with client and research charities	TCF staff available to consult with client and research charities	Little to no assistance available
Annual Costs	Minimal	Shared by TCF and therefore kept at a minimum	Can be costly but varies according to size and complexity of the foundation
Annual Taxes	Generally no tax on investment income	Generally no tax on investment income	Subject to an excise tax of up to 2% of net investment gain, including net capital gains and income
Annual Tax Filing & Return (990 Report)	Not required (reported as part of TCF's annual reporting)	Can be prepared and filed by TCF, or TCF can oversee preparation	Must be filed by the private foundation with required reporting schedules
Investments	Fund assets are professionally invested through TCF's various options	May avail itself of professional investment services offered by TCF	Must research, secure and carefully monitor its own investment vehicles
Fiduciary Responsibility	TCF fulfills the associated fiduciary responsibility	Administrative guidelines provided by TCF	The private foundation board has fiduciary responsibility
Liability and Risk Insurance	Provided by TCF up to \$10 million	Provided by TCF up to \$10 million	Must be purchased by the private foundation