

Chester County

COMMUNITY FOUNDATION



INFORMATION FOR ATTORNEYS AND FINANCIAL PLANNERS

A recent article in *The New York Times* discusses challenges for smaller private foundations which have led them to convert to funds in community foundations across the U.S. (See "New Philanthropists Find Drudery-Giving Away Cash Can Be More Cumbersome than Glamorous" NYT, 1/12/03.) The article quotes...

Dr. Charles A. Sanders, former chair of Glaxo, who created a foundation to support community initiatives. Instead of working to develop and finance programs for educational causes he loves, he found himself "saddled with a tremendous amount of paperwork." Dr. Sanders converted his foundation into a fund at a community foundation in North Carolina.

Henry Wendt III, retired chair of Smith-Kline Beecham, who converted his foundation to a fund at a community foundation in California. "Setting up the foundation was the easy part," he said. "The hard part is making sure the money is managed properly. And then, of course, there's the business of choosing the right charities and doing the appropriate due diligence." He adds, "In many respects, giving away money responsibly is harder than making it."

Some of our Chester County Community Foundation donors initially considered creating a private foundation. But the costs of start-up and administration, the lack of privacy, and limited tax deductibility led them to create a Donor Advised Fund with the Chester County Community Foundation instead.

Our donors find that they can make as great a charitable impact, and enjoy the same level of recognition and family involvement while receiving greater tax benefits. And, as compared to charitable giving products offered by commercial institutions, they have access to the expertise, service, and all the benefits of working with an experienced local partner. We invite you to compare the options:

*Let your legacy
make a difference in
Chester County*

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COMPARE THE OPTIONS	CHESTER COUNTY COMMUNITY FOUNDATION FUND	PRIVATE FOUNDATION	COMMERCIAL DONOR ADVISED FUND
Start-Up Incorporation Tax Exemption	Easy and inexpensive to set up. No set-up fees. Fund can be established in one brief meeting.	\$3000-\$5000 in professional fees, 3-6 months to incorporate, create bylaws and receive 501(c)(3) determination from IRS.	No set up fees.
Asset Size	Appropriate for any asset size over \$10,000.	Typically established with substantial assets of \$10+ million.	Varying minimum balances for assets from \$10,000 to \$30,000.
Required Payout	No annual distribution requirements; can accumulate toward sizeable project or grant.	5% annual distribution required.	Varies.
Excise Taxes	No excise tax on income.	Excise tax of up to 2% of annual net investment income.	No excise tax on income.
Tax Treatment of Gifts	Donors enjoy maximum tax advantages:	Tax treatment is not as favorable:	Tax treatment is not as favorable:
Cash gifts	Deduction up to 50% of adjusted gross income for cash contributions.	Deduction up to 30% of adjusted gross income.	Deduction up to 50% of adjusted gross income for cash contributions.
Publicly traded securities, closely held stock, and/or real estate	Deduction up to 30% of adjusted gross income for long-term appreciated property including publicly traded securities, closely-held stock and real estate.	Deduction up to 20% of adjusted gross income for publicly traded appreciated securities.	Deduction up to 30% of adjusted gross income for publicly traded appreciated securities.
Gifts of real property	Deduction of fair market value for gifts of most assets.	Deduction of only cost basis for gifts other than cash or publicly-traded securities.	Most do not accept gifts of real property, such as real estate, privately held stock, S-corporation stock, or artwork.
Liability, Insurance & General Administration	CCCF handles financial and administrative matters including investments and accounting; legal filings; annual tax return and annual independent audit.	Donor must perform, contract, or hire staff for these services.	Commercial gift fund handles these services.
Grantmaking & Grant Administration	CCCF offers knowledge of community needs, issues education, system for evaluating requests for grants and verifying tax-exempt status of grantees, and expertise in appraising nonprofits and monitoring performance.	Donor must perform, contract, or hire staff for these services.	Verifies tax-exempt status of grantees.
Privacy	Anonymity, if desired.	A private foundation's tax return, which includes the names of its contributors, is public record.	Anonymity, if desired.
Family Involvement	Donor can involve family and heirs in charitable giving.	Donor can involve family and heirs in charitable giving.	Donor can involve family and heirs in charitable giving.
Fund Establishment	Can be established during lifetime, or through trust, charitable gift annuity, or estate.	Can be established during lifetime, or through trust or estate.	Can be established during lifetime, or through trust or estate.
Investment Management Fees	Varies.	Varies.	Varies
Annual Costs	Annual administrative fees are 1% of fund balance, or less with larger endowments.	Annual administrative fees are typically greater than 1% of fund balance.	Annual administrative fees vary, up to 4% of fund balance.