Supporting Organization Guidelines

Overview: Most donors who consider a supporting foundation believe in philanthropy as a responsible component of wealth; they generally seek to incorporate a charitable gift plan into their tax and estate planning process; and they wish to promote charitable giving as part of a family tradition. To assist these goals, the supporting organization provides donors with the privilege of establishing a foundation to continue their charitable interests based on their philanthropic goals and personal values.

The same benefits are true for boards of existing foundations who wish to have the Community Foundation assume all or part of their administrative, investment and or distribution tasks. Such organizations can minimize their costs while maintaining their own identity, board and defined charitable mission.

Description: Supporting organizations or supporting foundations function much like a private foundation or a family foundation; however, supporting organizations linked to the Community Foundation have numerous tax, administrative, and cost advantages over private or family foundations. Supporting foundations receive the same charitable tax deduction of a public charity, and since they are affiliated with the Community Foundation of Northeast Alabama, they can further elect to reduce their administrative and investment fees.

Supporting organizations are a distinct legal entity; yet they are affiliated with the Community Foundation as a Section 509(a)(3) supporting organization under the Internal Revenue Code. For individuals or families, the supporting organization is an excellent way to establish and maintain a family foundation without the burdens of administrative overhead and annual reporting. Also, existing public charities and operating foundations may wish to affiliate with the Community Foundation to utilize the advantages and services of the Community Foundation.

General Guidelines: The following items are additional benefits and options when considering the merits of a supporting organization or a supporting foundation.

1. The supporting organization's goals must be consistent with the broad-based charitable vision and mission of the Community Foundation of Northeast Alabama.

2. Ideally, supporting organizations are established with a minimum of five hundred thousand dollars ($500,000), with a three-year timetable to completely fund the organization if it begins with a lesser amount. However, in consultation with the Community Foundation other options are possible.

3. The Community Foundation charges the supporting foundation an annual fee based on asset size, needs and agreed services.

4. A supporting foundation offers the same public visibility as an independent foundation.

5. Family Foundation donors can serve as board officers and sign award letters and grant checks.
6. The supporting foundation will have its own board, the majority of whom are appointed by the Community Foundation’s Board of Trustees in consultation with the supporting foundation, donor or family. Other provisions may be made when the organization is not an existing family foundation.

7. The supporting organization has its own name, stationary and grantmaking priorities.

8. The Community Foundation can provide staff, administrative and investment services, grant review, processing and evaluation procedures, and filing all IRS reports and audits.

9. The donor of a family foundation and their successor generations may serve as members or advisors of the supporting organization. Donors may also specify how assets are to be distributed if the advisory role is to terminate.

10. The Community Foundation Board of Trustees has the sole right to accept or reject any proposed supporting organization.

Advantages:

- Assist donors and their families with their philanthropic activities and long-term goals.
- Enable existing foundations to minimize their costs while maintaining their own identity, board and defined charitable mission.
- The donor names the supporting organization and, as a separate entity, it maintains its own identity.
- Make grants and takes other actions without needing approval of the Community Foundation of Northeast Alabama's Board of Trustees.
- The supporting organization's board actions are final.
- The supporting organization may use the Community Foundation's investment manager or select its own investment agent(s).
- Gifts to the supporting organization qualify for maximum possible charitable tax deduction (including the market value of the initial gift).
- There is no limit on the quantity of a company’s (publicly traded or closely held) stock that may be contributed and held by the supporting organization.
- Excise taxes associated with private family foundations are avoided.
- Distribution requirements associated with private family foundations are eliminated.
- The five-year public support test is assumed under the Community Foundation.
- Administrative burdens of managing and running a private family foundation are significantly reduced.
- Technical expertise in the areas of finance and investment, grantmaking and program development, and administration is available as needed.
- Federal and state reporting requirements are handled by the Community Foundation staff, including: 990 tax return, annual audit, and state filing requirements.
- Directors and officers liability insurance is provided.
- The supporting organization is included in the Community Foundation’s annual report or may issue its own report.