

COMMUNITY FOUNDATION

OF THE FOX RIVER VALLEY



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Advantages To Creating A Component Fund Within The Community Foundation

	Donor-Advised or Component Fund	Private Foundation
Organizational Structure	One page documenting your charitable intent is all that is required	Must establish a new organization through the IRS
Tax Status	501(c)(3) tax status & 170(b)(1)(A)(vi) public charity	Must apply for exempt status through the IRS
Funds Required	\$500 to create a named fund	More substantial funding required
Time to Establish	Same day	Time-consuming process; approximately 6 months
Tax Benefits [^]	Up to 50% of adjusted gross income (AGI) for gifts of cash or property Up to 30% of AGI for appreciated property that otherwise would incur capital gains	Up to 30% of AGI for gifts of cash or property Up to 20% of AGI for appreciated property that otherwise would incur capital gains
Fees	No fee on balances under \$10,000 0.50% on balances over \$10,000 0.25% on balances over \$1,000,000 Reduced fees for non-profits & churches	Administrative expenses plus excise tax
Distribution Requirements	No required annual minimum distribution	5% annual distribution of assets
Legal, Tax & Accounting Services	No excise tax to pay No separate tax return to file Annual audit and 990 completed by the Community Foundation	1%-2% of net investment income including capital gains Annual audit, 990, and separate accounting statements must be completed
Office/Staffing	Community Foundation provides all back office support for fundraising, mailings, acknowledgment letters, and much more	Need to provide staffing for all administrative needs

Director's Liability	Covered	May need to obtain
Monitoring of Investments	No federal investment requirements Community Foundation monitors all investments through its investment committee and policy	Need to provide investment policies and monitoring that abides by federal regulations
Monitoring of Regulatory Changes	Provided	Need to continuously monitor regulatory and IRS laws
Selection of Grantees	Background checks on charitable status of grantees provided by Community Foundation	Must research charitable status of grantees and document due diligence
Grants to Civic Emergencies, New Organizations, Self-Help Groups	Background checks to determine charitable intent of activity provided by Community Foundation	Must meet series of statutory & regulatory requirements
Awards to Individuals	Allowed through existing Scholarship Program and restricted funds.	Must seek approval from IRS for such grants, obtain pre-grant & post-grant reports from recipients, & submit requests to IRS
Variance Power	Provided and used with discretion	In cases of trusts & charitable bequests, direction may be needed from the courts through judicial cy pres action
Confidentiality	At donors request, grants may be awarded in donors/funds name or anonymously	Total assets, names and addresses of donors, directors, grants, and salaries must be available to the public through a 990-PF Anonymity not permissible
Succession Planning	Seamlessly transfer your charitable intent to the next generation by assigning successor advisors; either heirs or the Community Foundation	Heirs or Trustees must assume all administrative responsibilities for the continuation of the private foundation or the foundation must be dissolved

^ Consider consulting your tax advisor prior to making a gift to the Community Foundation