

PART TWO: TYPES OF FUNDS (CONTINUED)

5. SUPPORTING ORGANIZATIONS

Supporting Organizations, sometimes called Supporting Foundations, are charitable organizations that have their own boards of directors but are organized and operated to carry out the purposes of the public charity (i.e. the Community Foundation) which they support. The donor must have less than 50 percent of the voting control of the organization, which is typically addressed by giving the Community Foundation the right to elect the majority of the supporting organization's Board of Directors, and allowing the donor to elect the remainder of the board.

Such an organization has a separate identity and makes its own decisions regarding charitable grants from the funds of the organization

Although such organizations provide many of the advantages of a private foundation, they are treated as a public charity for tax purposes rather than a private foundation. There are several advantages of this treatment, including:

- The ability to deduct the maximum fair market value of appreciated marketable securities given to the supporting organization. Private Foundations do not get this benefit.
- Increasing the adjusted gross income limitations of the donor for charitable deductions compared to gifts to private foundations from 30 percent to 50 percent for cash and from 20 percent to 30 percent for gifts of appreciated property.
- Avoiding private foundation transaction rules.
- Avoiding the excise tax on investment income.

In the case of the Community Foundation, a supporting organization must serve the same purpose of the Community Foundation which means making charitable gifts for the benefit of the community. The Community Foundation staff will support the administrative needs of the supporting organization, and may assist by reviewing grant requests, if desired.

Requirements for Creating a Supporting Organization

Supporting organizations should only be considered if the contemplated gifts exceed \$1,000,000 and the objectives of the donor cannot be achieved through a Donor Advised Fund or Field of Interest Fund. The organizational documents of such organizations must be approved by the Community Foundation and the Internal Revenue Service.