



WHAT IS A PRIVATE FOUNDATION ALTERNATIVE FUND (SUPPORTING ORGANIZATION)?

A Private Foundation Alternative Fund (PFAF) is based on a supporting organization, a public charity that either makes grants to or performs the operations of a public charity (in this case, the California Community Foundation). The PFAF provides many of the benefits of a private foundation, but with the tax benefits and requirements of a public charity. Additionally, CCF services and administration take care of most reporting and compliance requirements. Please see the PFAF Fact Sheet to learn more about the advantages and applications of this fund.

WHAT DO I NEED TO KNOW TO GET STARTED?

Many donors choose between opening a PFAF or a Donor Advised Fund (DAF), and we are happy to discuss your options in detail. You should also consult your financial and tax advisors if you have not already. You might also consider these helpful tips:

- Make sure that you are comfortable with the goals for your fund and fully understand the differences between the fund types.
- If you would prefer to have a full board for your fund and more direct involvement in financial management, then a Private Foundation Alternative Fund may be right for you.
- With a Private Foundation Alternative Fund, you should be prepared to convene a board meeting at least annually, whether in person or by conference call.

at a glance

Private Foundation Alternative Fund

- Offers a simpler, more efficient alternative to a private foundation that eliminates most administrative and management burdens
- Free from mandated distribution requirements of private foundations
- Established as a supporting organization to CCF
- Better tax benefits

WHAT ARE THE STEPS FOR SETTING UP A PRIVATE FOUNDATION ALTERNATIVE FUND?

If you have chosen to open a PFAF, then two steps remain:

1

Setting up the Supporting Organization

Once you've decided on the PFAF, it's time to create the SO. You may choose to manage this or CCF can handle the entire process. Following are the steps to create an SO:

- File articles of incorporation
- Create bylaws (CCF can provide samples)
- Determine board composition
- File for exempt tax status with the Internal Revenue Service

Depending on complexity, the process could take up to several months. Setup expenses average \$10,000 but may exceed that amount depending on complexity. Fees are deducted from the proceeds of the SO or paid separately through a tax-deductible gift from the donor.

2

Convening the board and preparing for giving

Once the SO is set up, the board will need to adopt policies of best practice and be prepared to convene at least annually to review grantmaking and financial documents. CCF staff is available to provide nonprofit research, philanthropic consultations and financial administration to help you realize your philanthropic goals. Recommending grants is easy and you may start as soon as the SO has been approved by the IRS and funds are available.

To establish a **Private Foundation Alternative Fund**, contact Vice President of Development & Donor Relations Teresa Mosqueda at tmosqueda@calfund.org or (213) 452-6298.

IMPORTANT LEGAL DISCLOSURE

The information provided is general and educational in nature. It is not intended to be, and should not be construed as, legal or tax advice.

The California Community Foundation does not provide legal or tax advice. You should consult your tax advisor to properly determine the tax consequences of making a charitable gift to the California Community Foundation.

Contributions to the California Community Foundation represent irrevocable gifts subject to the legal and fiduciary control of the foundation's board of directors.

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SOLPFA0818