



Foundation Fundamentals

From The Giving Back Fund 

GUIDING YOUR PHILANTHROPIC GOALS FOR SUCCESS!

BROUGHT TO YOU BY



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Before we can help guide your foundation to maximum impact and success, let's first examine the world of philanthropy...

What is Philanthropy?

[fi-lan-thruh-pee] noun.

1. love of mankind
2. typically manifested by donations of money, property or work to needy persons
3. the art of charitable actions

Charity 101

- The IRS defines more than 30 types of tax-exempt nonprofit organizations.
- Categorized as 501(c)(3) by the IRS, public charities are the largest category of nonprofit organizations.
- 501(c)(3)s encompass arts, education, health care, human services, and other types of organizations to which donors can make tax-deductible donations.



By the Numbers



U.S. Charities:

- In 2012, there were **1.5 million** registered nonprofits
- As of 11/2016 there are more than 2.4 million tax exempt/nonprofit organizations
- These nonprofits have combined assets over \$6 trillion dollars and income of over \$4 trillion

Food for Thought:

- *How many are unique?*
- *How many provide a service that is needed by the public*
- *Is there too much duplication?*
- *Is there too little collaboration between them?*

By the Numbers

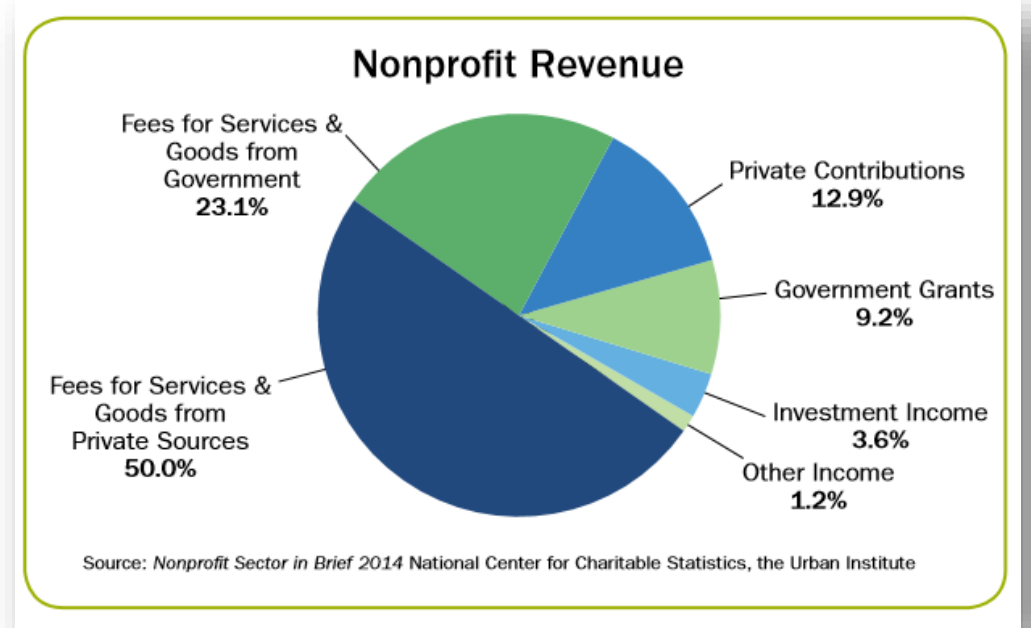


How are nonprofits funded:

- Fees for goods and/or services
- Individual donations and major gifts
- Bequests
- Corporate contributions
- Foundation grants
- Government grants and contracts
- Interest from investments
- Loans/program-related investments (PRIs)
- Tax revenue
- Membership dues and fees

Food for Thought:

- *In order to annually sustain your foundation, have you identified where the funds will come from?*



DIFFERENT TYPES OF CHARITIES



Most Common Charitable Organizations



The IRS recognizes 30 different tax-exempt organizations. Some of the more common types of organizations include:

- **Public charity.** Involves creating an independent legal entity that seeks 501(c)(3) status from the IRS and registers in 40+ states. A public charity typically engages in fundraising to support one or more causes.
- **Donor-Advised Fund (DAF).** Involves placing a sum of money into a segregated fund administered by an existing third party 501(c)(3) and then advising the fund administrator on other charities to support with the funds. DAFs operate very similar to a public charity but have no legal status on their own. They share a tax identification number with the larger sponsoring organization.
- **Fiscally Sponsored Project (FSP).** Involves partnering with an existing 501(c)(3) in good standing who then designs, builds and/or manages your custom philanthropy project. Similar to a DAF, a sponsored project receives its 501(c)(3) status from a sponsoring organization like the Giving Back Fund.
- **Private Foundation.** Also a stand-alone legal entity requiring IRS recognition, but more commonly obtains its funding from one individual or family. Obligated to distribute a minimum of 5% annually.

THINGS TO CONSIDER WHEN CREATING A FOUNDATION



Ask Yourself

- What would your operating budget entail?
- How much can you afford to contribute initially and on an on-going, annual basis?
- Do you have the ability/tools to fundraise?
- Does a similar experienced charity exist with which you should consider collaborating?
- How long do you want the Foundation to exist?



KEY ITEMS TO REMEMBER



Did You Know?



- Creating a charity requires upfront filing and legal fees.
- Public charities require a great deal of on-going maintenance with annual fees such as directors and officers liability insurance, general liability coverage, annual audit fees, tax preparation fees, registering nationally to fundraise, etc.
- Funds given to a public charity are subject to tremendous scrutiny – from the public.
- Assets are controlled by the organization's board of directors. Even if the Foundation dons your name, you no longer have control of funds after they've been donated.
- Charity funds must be spent in the specific manner for which they were raised.

The Giving Back Fund's Answers



Best practices when comparing philanthropic partners to help with your foundation:

- Do they offer upfront filing and legal fees in the pricing?
- Do they provide on-going maintenance and program administration in your service fee?
- Can they provide expert guidance, strategic planning, complete transparency, real-time record-keeping and annual audits to diminish scrutiny of your foundation from the public?
- Do they have experience vetting charity organizations and offer methods for grant reporting to ensure the funds you've donated are being used for its stated purpose?

THE MOST
IMPORTANT
QUESTION...



Should I Start A Foundation?



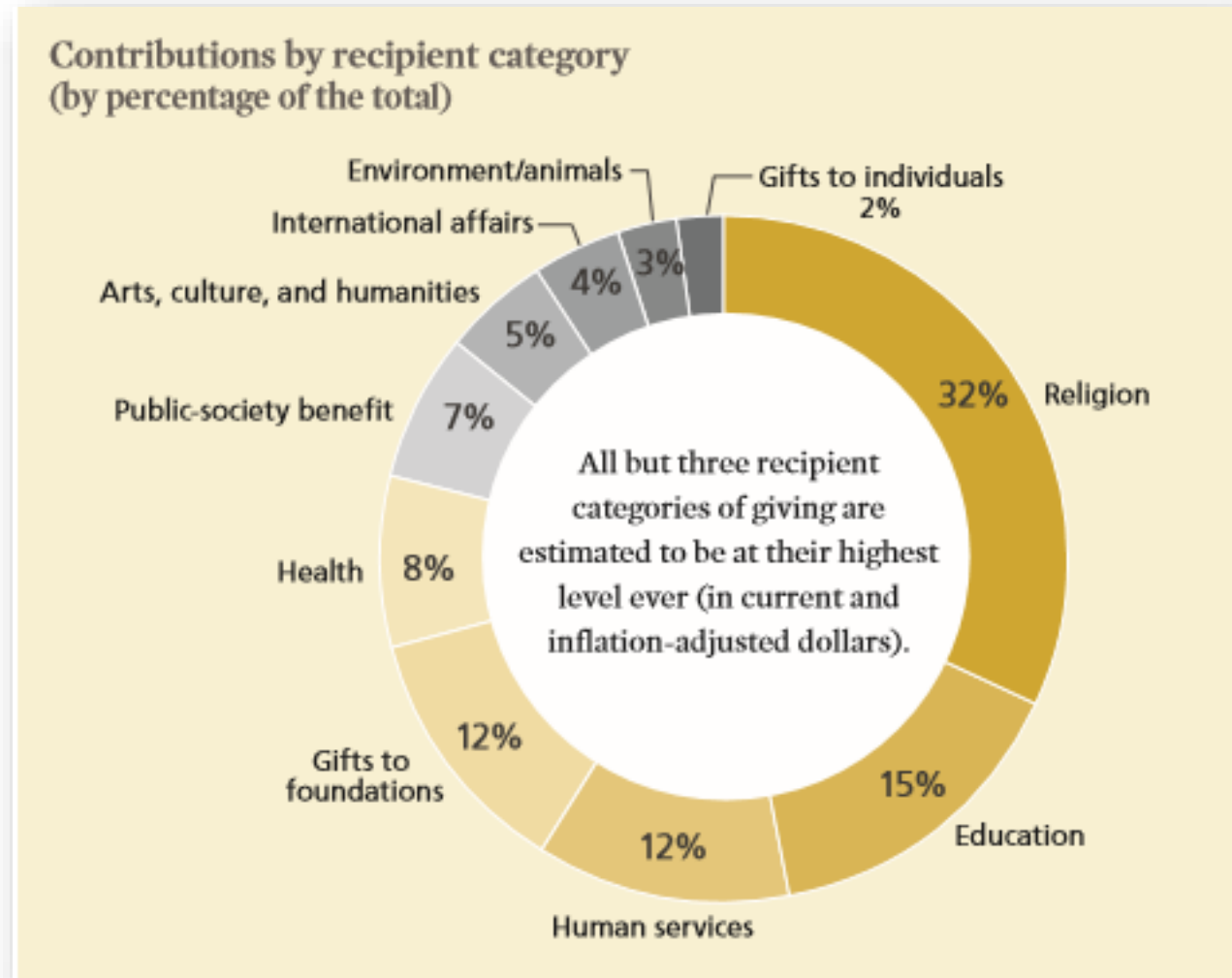
Ask yourself these questions:

- 1. Is this what I really want to do?**
 - Starting a nonprofit is much like starting a for-profit business. The difference is you'll have to find donors, maybe even investors who are passionate about your cause and want to help make a difference, rather than a profit.
- 2. Do I have an original idea for a new nonprofit?**
 - Do your research and locate other NPOs that are similar to the one you are thinking of. If there are organizations out there that have the same mission and they do a good job, it is going to be very difficult for you to attract donors, foundation grants, or any other support.
- 3. Is a new nonprofit necessary?**
 - Conduct a survey or other research before you launch a new foundation. This is called a "needs assessment" to determine if there is a need in your community for the services you propose to offer.
- 4. Do I have a plan in place for sustainability?**
 - One of the top reasons why charities fail is because they do not have a vision and value proposition that "sells."

Evaluation of the Philanthropic Marketplace



Top Categories that Received Funding in 2014:



Source: Giving USA 2015

I'M GAME!
WHERE DO I START?



I Want to Launch My Own Charity, Where Do I Start?



A general outline of the steps necessary to establish a 501(c)(3) with The Giving Back Fund:

- Consult with your financial planner and/or tax attorney to properly advise you step-by-step.
- Contact your local community foundation or the Giving Back Fund for a consultation regarding your philanthropic goals.
- Request information about a Donor Advised Fund, Foundation or Fiscally Sponsored Project to review that will help you decide if you are ready to create a foundation.
- Schedule an in-person visit or set-up a conference call with the partner that you select or the Giving Back Fund to answer your questions.
- Check the expertise, experience, client list and references of your prospective partner. There are MANY companies that claim to help manage your foundation. Make sure they offer the services that you need.

YOU CURRENTLY HAVE
A FOUNDATION, HOW
DO YOU KNOW IF ITS
EFFECTIVE OR
EFFICIENT?



Charitable Effectiveness and Efficiency Evaluation (CEEE)



Everyone who starts a foundation, charity or nonprofit want to do good in the community. But having good intentions, even the best of intentions, and having real charitable impact, can be two very different things. How do you know your foundation is making an impact?

Program evaluation services such as the Giving Back Fund's (GBF) **Charitable Effectiveness and Efficiency Evaluation** (CEEE) program is designed to help charities achieve maximum impact. When choosing an evaluation program, make sure the service includes:

- ☐ Review of all the systems currently in place to achieve the foundation's mission
- ☐ Inventory of all foundation assets (human, financial, and otherwise)
- ☐ Suggestions and observations on how to achieve greater impact and increased efficiency given the resources currently in place
- ☐ Recommendations for resources that may be available to your foundation that you may be unaware of or underutilizing

Your evaluation should be presented as a report recommendations for either the donor or the executive director who can then decide whether they wish to share the report with the Board and other stakeholders.

Q & A

Brought to you by The Giving Back Fund



Have additional questions?
Call Marc Pollick or Charisse Browner at The Giving Back Fund
(310) 649-5222