

GIANT, IMPORTANT DISCLAIMER: WE AREN'T GIVING LEGAL, TAX OR FINANCIAL ADVICE. PLEASE SEEK YOUR OWN COUNSEL FOR ANY DONATIONS. MANY OF THESE QUESTIONS ARE OPEN TO SOME INTERPRETATION, ARE GENERAL IN NATURE OR ARE UNIQUE TO A PARTICULAR JURISDICTION. ASSUME ALL ANSWERS ARE WRONG UNTIL YOU/YOUR DONOR CONFIRMS WITH HER/HIS ADVISOR.

Q & A from “Supporting Organizations: Imagine Donor Advised Funds on Steroids,” Webinar May 2022

| | |
|--|--|
| <p>How, if at all, do community foundations play a part in supporting organizations (SOs)?</p> | <p>Community Foundations (and similar faith-based foundations) have long been players in the SO space. They work particularly well if the donor is looking for additional staffing/operational support as well as more flexibility on grantmaking.</p> |
| <p>Hiring staff and reimbursement of travel expenses are "red" for Type 1 SOs. Does this prohibition apply only to disqualified persons?</p> | <p>Hiring gets very tricky as it can mean general staff or disqualified person staff which are quite different. Generally, Type I SOs can hire non-disqualified persons without a problem but check with good legal counsel regarding the specific facts and circumstances.</p> |
| <p>Can you describe more about the qualifying tests that SOs have to pass to qualify?</p> | <p>This is covered lightly in the presentation because they can get very complex very quickly. But these really involve the Type III almost exclusively and we have never done one. Type I and Type II generally only relate to governance and then providing direct/indirect support to the Supported Charity.</p> |
| <p>Can you discuss what red flags to look for with regard to situations/fact patterns which would make Supporting Organizations inappropriate for a donor/individual?</p> | <p>Less than \$1 million would be super bumpy, if the donor wants absolute control (better with a private foundation) or if the person is able to achieve all his/her goals more simply with a DAF, then a SO is likely inappropriate. There are other considerations of course, but these would be the bigger ones.</p> |

| | |
|---|---|
| <p>Can a Type 1 flow into a DAF if the community foundation (or DAF sponsor) is the supported org?</p> | <p>Yes, and that happens all the time. I would say it MAY get tricky if for example you have an excess business holding (that would be prohibited in a DAF) that you use a Type I SO to solve, but then make grants to the DAF. That would not be wise in our view. But generally, that can work well.</p> |
| <p>If you have an existing supporting org established as a CDC and as a CF you are expecting a very large gift which fits the mission of the CDC, would it be best to direct that gift to the supporting org CDC to avoid the public support test issue.</p> | <p>This should certainly be a consideration any time public support issues come up. There are additional ways of “excluding” very large donations but that is a bit more of a process where a SO can easily accomplish the same thing.</p> |
| <p>How do we access a copy of the slides?</p> | <p>We have had two cases of nefarious slide uses (“Charitable Solutions says you can do X and Y and here are their slides” which were cherry picked to further the promoter’s purpose. Not fun. So, you can watch the video for free whenever you want, or we have found people who do bad things tend to be lazy, so we hope they don’t watch the video and just recreate the slides. So far, that hasn’t happened yet.</p> |
| <p>For a Community Foundation, is there a general rule of thumb for when an SO makes more sense than a DAF? Is there a decision tree example we could use?</p> | <p>Usually, it needs to be where a donor REALLY likes many of the attributes of the PF AND many of the attributes of a DAF AND it is a large donation (or will be over time). Things like, “I would do a real estate gift of \$10 million to the CF, but you won’t let my investment manager create her own IPS. But if I do a private foundation, I get a basis deduction on the gift. I am at a loss... is there any way I get both goals accomplished?” Wait, I know, I know (hand waving frantically to get called on...)! </p> |
| <p>Do you mean Dechomai is the supporting organization? Or supporting organizations are your clients?</p> | <p>Both - Dechomai Asset Trust is a Type I supporting org, and then we have a number of donors who create supporting orgs that attach to Dechomai in some way.</p> |

| | |
|---|--|
| <p>Couldn't a private operating foundation be a Zoo, museum, library, etc.? If so, is that right that a QCD couldn't be contributed to a POF? I understand that you can't do this to a private Non-Operating foundation.</p> | <p>Yes, that does work and excellent call out!</p> |
| <p>SO technical advantages are obvious. The emotional hurdle for donors is getting comfortable with non-family trustees at the table, lack of legal control.</p> | <p>Agreed though practically, what scenario (assuming everything is being run properly which I would hope donors would want as well) would get sideways? Kind of like a DAF donor who can't get comfortable with final Board approval. What grants or activities are they contemplating that would get a "no"? And then bluntly, if they can't do it with a SO, it is probably worse to do it with a PF (Chapter 42 rules). So you are exactly right, but I always say unless they are going to do something super wacky ("no, I just want to make grants to my church, alma mater and for disease research"- who is going to shut that down?), they are good.</p> |
| <p>Is a transition from a private foundation to a supporting organization an irrevocable gift? Running into a donor who loves a DAF opportunity, but does not like the irrevocable gift to a community foundation</p> | <p>It is. Once you go public, usually can switch back unless, ironically, you don't do certain things which may otherwise tip you back into a private foundation. This is kind of odd/circular if you think about it.</p> |