



SUPPORTING
ORGANIZATIONS

THE
CHICAGO
COMMUNITY
TRUST

AND AFFILIATES

SUPPORTING ORGANIZATIONS.

Why consider a supporting organization with The Chicago Community Trust? There are several good reasons to consider creating a supporting organization over a private foundation, and several more good reasons to consider creating one with The Chicago Community Trust.

GENERAL ADVANTAGES.

A supporting organization is unique in that it offers the most desirable benefits of other types of philanthropic vehicles (private foundations, for example) with fewer of the drawbacks.

Greater control. Because your supporting organization will be governed by its own board of directors, you will play an active role in managing the organization — giving you increased control over its independent identity and its ongoing decision-making.

Reduced burdens. Your supporting organization will be exempt from excise taxes, and it will enjoy freedom from the distribution requirements and many of the administrative responsibilities faced by a private foundation.

Less restrictive regulations. Relative to a supporting organization, the IRS characterizes a private foundation as “a status that is subject to a more restrictive regulatory regime.”¹ The comparative freedom from regulation offers the supporting organization wider latitude in decision-making and operational ease.

WHAT IS A SUPPORTING ORGANIZATION?

A nonprofit corporation recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization.

The primary purpose of a supporting organization is to “support” the mission of The Chicago Community Trust. With a gift of \$3 million or more, the supporting organization itself becomes an affiliate of The Chicago Community Trust.

Although affiliated with The Chicago Community Trust, your supporting organization will consist of a separate legal entity with its own board of directors, its own 501(c)(3) tax-exempt status, and its own grant making strategy.

¹ IRS.gov: “Section 509(a)(3) Supporting Organizations.” As of 28 June 2013.

Case study: *FAMILY BUSINESS.*



MAINTAINING GOVERNANCE WITHIN THE FAMILY WHILE THE TRUST HANDLES OTHER DUTIES.

The sale of their successful Chicago business now complete, one couple has earmarked \$25 million for their charitable intentions. They consult with their attorney about how best to position the assets.

Their attorney reminds them that at this point in their lives they would rather focus on selecting worthy causes than administering a foundation. The foundation’s additional drawbacks of excise taxes, more restrictive regulation and higher costs steer their interest instead toward establishing a supporting organization.

Because Chicago has been the beloved home of both their family and the business they built, they establish their supporting organization with The Chicago Community Trust.

The two of them, their children and selected officers of the Trust will serve on its board of directors — maintaining governance within the family while the Trust handles the supporting organization’s reporting, administrative and other management duties.

A MORE EFFECTIVE WAY TO CONTROL YOUR PHILANTHROPY.

HOW THE TRUST CAN HELP.

The Chicago Community Trust views the supporting organization as one of the single most powerful vehicles for today's philanthropists. Balancing its unique combination of desirable traits are all the functional advantages provided by The Chicago Community Trust:

A culture of philanthropic excellence that has lasted a century and includes several generations of visionary leaders within metropolitan Chicago.

Insight and involvement of the Trust's expert staff in all aspects of the administration and grant making process.

Relief from administrative and reporting duties allowing your board of directors to focus on grant making and philanthropic impact.

WHAT MAKES A SUPPORTING ORGANIZATION AFFILIATED WITH THE CHICAGO COMMUNITY TRUST WORTHWHILE?

IDENTITY	GRANT MAKING	INVESTMENT OPTIONS	NO DISTRIBUTION REQUIREMENTS
ORGANIZATIONAL STRUCTURE	FAMILY LEGACY	ECONOMY OF SCALE	NO EXCISE TAX
CHARITABLE INTENT	FAVORED TAX STATUS	ADMINISTRATIVE SUPPORT	REDUCED COST

ADVANTAGES OF A SUPPORTING ORGANIZATION.

Identity A supporting organization lets your family or the original founding donor retain their identity and stature in the community. For example, the Jones Family Foundation can retain that name as a supporting organization of the Trust.

Organizational Structure Your supporting organization has its own separate board of directors and officers. However, to qualify as a supporting organization, neither an individual nor family can control the supporting organization. A majority of the directors must be appointed by the Trust. For example, a supporting organization board composed of five people would have three directors appointed by the Trust and two directors appointed by the donor.

Charitable Intent The same mission and focus of a private foundation can be incorporated into the establishing guidelines and objectives of your supporting organization.

Grant Making The board of directors of a supporting organization directs the grant making. Trust staff can provide background research on potential grant recipients and ensure that the nonprofit organizations recommended for grants comply with all IRS guidelines and requirements. Grants may be made to any qualified charity in the United States. International grant making is possible as well.

Family Legacy A supporting organization established at the Trust allows families to teach their children and subsequent generations the importance and wisdom of philanthropy that can make a positive impact in the community, region and nation. A supporting organization can exist in perpetuity or can terminate after a period of years.

Favored Tax Status As a public charity, the supporting organization will retain favorable tax status compared to a private foundation. Cash gifts to the supporting organization are deductible up to 50 percent of adjusted gross income, vs. 30 percent for a private foundation. Gifts of appreciated property are deductible up to 30 percent of adjusted gross income, vs. 20 percent for a private foundation.

Professional Investment Management The board of directors of the supporting organization is responsible for management and investment of the assets of the organization. The Trust works with the board of directors and the investment consultants to develop an investment policy statement and to select investment managers.

Economy of Scale When your supporting organization is affiliated with The Chicago Community Trust, it will receive the full benefit of the economies of scale that our operational size can provide. Professional services such as administrative management are performed more efficiently by the Trust, thanks to our substantial asset base and vast experience in philanthropic administration.

Grant Making and Administrative Support The Trust has a professional grant making staff with deep knowledge of the organizations that comprise our region's vibrant nonprofit community. Individuals, families, businesses and other entities that have established a supporting organization at the Trust have access to this expertise as they seek knowledge about specific nonprofits and make decisions about their philanthropic interests and grant making. Further, the Trust will prepare and file all annual returns and filings and maintain all corporate records. We take care of the details efficiently and economically without the overhead costs and administrative burdens associated with operating a private foundation.

REDUCED REQUIREMENTS.

No Distribution Requirements Private foundations are required by IRS regulations to distribute at least 5 percent of the foundation's assets each year. Supporting organizations have no such annual requirement. This provides more flexibility in grant making for the directors of the supporting organization.

No Excise Tax Private foundations are required to pay a 1 to 2 percent excise tax on investment income. Supporting organizations of the Trust are not subject to such tax.

Tax Returns and Audits Private foundations are required to file annual Form 990-PF tax returns, and, depending upon the size of the private foundation, may need annual audits as well as incur legal expenses. Tax returns for supporting organizations are completed and filed by the Trust at no additional cost.

HOW SUPPORTING ORGANIZATIONS COMPARE WITH PRIVATE FOUNDATIONS.

	SUPPORTING ORGANIZATIONS	PRIVATE FOUNDATIONS
FUND BASIS	A nonprofit corporation created, with assistance from the Trust, as an affiliate	An independently organized nonprofit corporation or trust
TAX STATUS AND REPORTING	Must apply for tax exemption from the IRS	Must apply for tax exemption from the IRS
START-UP COSTS/TIMING	Trust prepares and files required documents. Requires IRS approval	Full corporate start-up costs plus legal, accounting and filing costs. Requires IRS approval
ASSETS REQUIRED TO ESTABLISH	\$3 million or more	Generally \$10 million or more
CHARITABLE DEDUCTION OF CASH GIFTS	Tax deduction of up to 50 percent of adjusted gross income	Tax deduction is limited to 30 percent of adjusted gross income
CHARITABLE DEDUCTION OF APPRECIATED PROPERTY	Tax deduction for full fair market value, including closely held stock, up to 30 percent of adjusted gross income	Only listed securities deductible at fair market value up to 20 percent of adjusted gross income
GOVERNANCE	Individual, family or committee holds significant organizational influence and may appoint the minority of the board of directors	Individual or family appoints the entire board of directors
DURATION	Can be perpetual	Can be perpetual
FUND DISTRIBUTIONS	None mandatory	Required to distribute annually 5 percent of the fair market value of assets
GRANT MAKING MANAGEMENT	Provided by the Trust	These services must be established or obtained by the foundation
ANNUAL COSTS	Annual administration cost of 0.35% of the fund's net asset value. No tax on net investment income	Annual administration cost of 1 percent or greater plus a 1 to 2 percent tax on net investment income
ANNUAL TAX FILING AND ADMINISTRATION	All tax returns and records are prepared and filed by the Trust	Must be filed by the foundation, with required supporting schedules
INVESTMENTS	Supporting organization secures its own investment managers The Trust can assist the supporting organization with developing its investment policy statement and selecting investment managers	Foundation must develop its own investment policy statement and select investment managers

A MORE EFFECTIVE WAY TO CONTROL YOUR PHILANTHROPY.

Consider creating a supporting organization with The Chicago Community Trust.

As the centerpiece of philanthropy in Chicago for nearly a century, The Chicago Community Trust has served as the leading grant maker and philanthropic advisor to thousands of individuals and families who want to ensure that their philanthropy is informed, efficient and effective. Whatever your goal, the Trust can help you increase your impact.

Today, all of us at The Chicago Community Trust stand ready to serve you.

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