

Supporting Organizations

An alternative to a private foundation

For donors considering a charitable gift of \$1.5 million or more, a supporting organization is an alternative to establishing a private foundation. The supporting organization structure provides more flexibility and better tax advantages while also significantly reducing the administrative burden of a foundation.

A supporting organization is a tax structure which qualifies the entity as a public charity because it has a close relationship with another publicly supported 501(c)(3) organization. A supporting organization has the ability to control the timing of the charitable tax deduction and the timing and amount of grants, but is not subject to the same restrictions and excise taxes which burden private foundations. (The IRS tax code, 509(a)(3), qualifies the supporting organization)

Possible Structures

A supporting organization can be set up in a few different ways. The most common arrangement is for the supporting organization to benefit a specific charitable organization as articulated in its organizational documents. Distributions of its income are then made to support that organization's activities.

A supporting organization can also be set up to support a community foundation, which allocates charitable resources to numerous community organizations. In this scenario, a supporting organization may indirectly support a number of different charities without including them in its organizational documents. A supporting organization establishes the fund through an initial grant to the community foundation. It then makes periodic recommendations to the foundation. The community foundation then make distributions to various charities in the name of the supporting organization. Although the recommendations of the supporting organization are not legally binding, this arrangement affords the supporting organization far greater input into the operation of the fund.

The community foundation assumes control of the activities of the supporting organization by appointing a majority of the members of Board of Directors of the organization. The Board may include substantial contributors, foundation managers or members of the families of each, but they must not control the organization.

Qualifying Criteria

To become a supporting organization the following criteria must be met:

1. Articles of Incorporation must limit its purpose to charitable and educational purposes.
2. Articles cannot authorize it to engage in any purpose other than the charitable and educational purposes of the public charity.
3. Articles must state it is organized and operated exclusively for the benefit of the public charity.
4. Articles must not empower the fund to pay over its income or perform the services of any organization, other than the public charity.
5. The supporting organization must not be controlled by one or more disqualified persons. Generally, disqualified persons include:
 - a. Substantial contributors (persons who contribute more than \$5,000);
 - b. Foundation managers;
 - c. A member of the family of the substantial contributor or a foundation manager.

Supporting Organization

Services & Fees

Administer Grants

- Verify 501(c)(3) status of grantee organizations
- Issue grant checks to awarded organizations
- Provide overview of community initiatives and issues and provide guidance on nonprofits
- Assist in developing grantmaking goals and funding priorities
- Assist in setting grant guidelines and criteria
- Staff grant review meetings and provide input to funding decisions
- Execute grant agreement, payment and monitoring
- Prepare acceptance and denial letters
- Prepare materials and agendas for meetings
- Promote the grant opportunities, providing additional exposure through our networks
- Provide an online resource for accepting applications
- Provide preliminary grant screening
- Provide community knowledge and expertise in reviewing proposals and making recommendations
- Prepare press releases and distribute to media sources announcing grant awards
- Follow up with evaluations of funded programs

Administer Foundation's Checking Account

- Reconcile account on a monthly basis
- Transfer funds from trust to cover grants and administrative expenses
- Update checkbook register for deposits and checks issued
- Order supply items as needed for checks, letterhead stationery and envelopes

Board Coordination

- Planning board meetings
- Preparing agendas
- Making presentations
- Keeping minutes
- Circulating memos
- Preparing and disseminating unanimous consent resolutions
- Training and development of board members

Investment, Management, Accounting, & Reporting

- General financial oversight
- Reconcile bank and investment portfolio for interest, dividends, realized gains and losses, and unrealized gains and losses
- Prepare monthly accounting entries and post of general ledger
- Prepare fund and financial statements
- Assist with and compile financial information for annual audit
- Opportunity for inclusion of the supporting organization in an annual, independent audit of the Foundation (incremental fee)
- Coordinate and compile information or preparation of Audit and Form 990 (Return of Organization Exempt from Income Tax)
- Complete state compliance requirements by preparing and remitting payment for annual Wisconsin Nonstock Corporation Report
- Obtain coverage under our existing insurance policy for Directors and Officer liability coverage
- Calculate Greater Green Bay Community Foundation's administrative fee
- Remit payment for other administrative expenses such as legal fees, etc.

Administrative Support

- Records processing, maintenance, and data input
- Mail and telephone services (*handling inquiries from public/nonprofit organizations*)
- Scheduling meetings

Fee Structure

- 0.90% management fee on amounts up to \$2.5 million
- 0.70% management fee on amounts from \$2.5 to \$4.0 million
- 0.60% management fee on amounts from \$4.0 to \$5.0 million
- 0.50% management fee on amounts exceeding \$5.0 million