



Getting Started with  
**FOUNDATIONSOURCE**

/ A GUIDE FOR ATTORNEYS /

# Helping You Serve Your Philanthropic Clients

Virtually all high-net-worth individuals have a commitment to philanthropy. More than ever, they are allocating significant portions of their assets to charitable giving. For many, a private foundation is the best vehicle to meet their philanthropic goals.

Unfortunately, misconceptions persist that private foundations are difficult and time-consuming to create, are complicated and expensive to run, need to be staffed, and require huge endowments to make them worthwhile. While these concerns may have been valid 20 years ago, they no longer have any merit.

Today's private foundations can be easy, efficient, and affordable thanks to outsourced support services from Foundation Source. That's why attorneys across the country, from solo practitioners having limited experience with private foundations to large firms with entire departments devoted to exempt organizations, choose to work with us.

Whether your clients are just starting a private foundation, or have had one for years, their philanthropy can be more effective, efficient, and enjoyable when they have a team of foundation experts to support their day-to-day foundation operations.

# The Benefits of Our Services for Your Clients and You

With Foundation Source, your clients get a “virtual staff” of experts to help them explore every capability of their private foundations without hassles or paperwork. And because we monitor every transaction and perform due diligence before making grants or other disbursements on behalf of foundation clients, you can rest assured that we help them stay compliant. Additionally, we monitor our clients’ annual minimum payout requirement in real time to help ensure that they aren’t penalized for under-distributions.

**Here’s a closer look at what we provide:**

## Foundation Creation

In many cases, you will set up your client’s private foundation. If so, we’re happy to lend our expertise as needed. Alternatively, if you would like us to establish the foundation, we could provide a Delaware nonstock corporation complete with bylaws and other policies. Whatever your choice, we can work with you to ensure that you’re involved in as much of the process as you’d like. For instance, at your option, you could review our standard startup documents and policies, join our client interview for completing Form 1023 (the application for IRS recognition as a tax-exempt organization) and/or review that form before it’s filed. Our Form 1023 interview is based upon an exclusive questionnaire that distills our years of experience completing more than 2,000 successful 1023 applications. It is designed to get to the heart of potential concerns, so you can address them before they’re uncovered by an IRS reviewing agent. Our 1023 applications typically glide through the IRS review process without a hitch, with a relatively fast turnaround.

## Comprehensive Support

Once the foundation has been established, we provide everything your client needs to keep it running smoothly and compliantly. Our services include philanthropic advising, an online platform to transact their philanthropy, and complete back-office support, including transaction processing, tax preparation and filing, and financial and regulatory reporting.

## Peace of Mind

Our daily involvement enables us to spot potential issues before they become problems, and refer your clients back to you for advice and counsel. Likewise, we would recommend that your clients consult you for traditional legal services, such as amending governing documents and negotiating agreements.

## Specialized Knowledge

Our broad philanthropic expertise and practical understanding of foundations can help guide you when making recommendations to your clients.

In short, we make foundations simple and worry-free for you and your clients.

## THIS GUIDE WILL ADDRESS THE FOLLOWING TOPICS:



What services does Foundation Source provide?



What are the common misconceptions about private foundations?



What benefits does Foundation Source provide for attorneys?



When is a foundation a good fit?



Why work with Foundation Source?



How do I engage Foundation Source?

# Easy for Clients, Easy for You to Recommend

## WHAT SERVICES DOES FOUNDATION SOURCE PROVIDE?

While we do not manage assets or provide legal counsel, we take care of everything else needed to run a foundation efficiently and compliantly, so your clients can focus on their philanthropy.

### Foundation Management

Our services include complete back-office support, including compliance monitoring, transaction processing, tax preparation and filing, and financial and regulatory reporting.

### Expert Guidance

A team of private foundation experts serve as the foundation's virtual staff. Each foundation has its own dedicated Private Client Advisor who is just a phone call away. He or she is backed by in-house philanthropy, tax, legal, and accounting professionals who provide expert advice and responsive service.

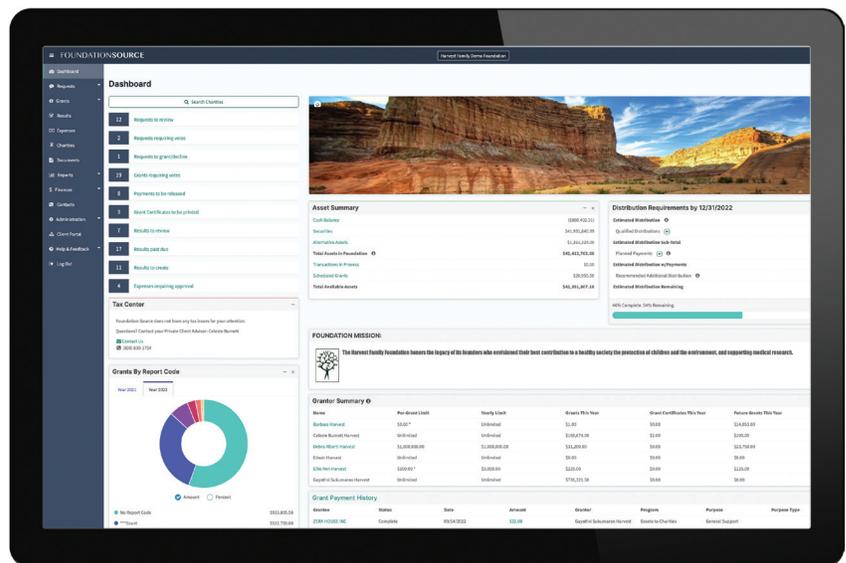
### Online Resources

A secure website for foundation members to manage day-to-day foundation activities, including charity research, grantmaking, reporting, viewing investment balances, checking the foundation's minimum distribution requirement, and more.

### Foundation Creation

We can help you establish a new private foundation, ready to issue grants, in less than a week.

OUR STATE-OF-THE-ART TECHNOLOGY INCLUDES AN AWARD-WINNING PLATFORM FOR CONDUCTING FOUNDATION BUSINESS. YOU CAN FIND AN OVERVIEW OF OUR COMPANY AND SERVICES AT: [WWW.FOUNDATIONSOURCE.COM](http://WWW.FOUNDATIONSOURCE.COM)





## WHAT ARE THE COMMON MISCONCEPTIONS ABOUT PRIVATE FOUNDATIONS?

### THE MYTH:

It takes at least \$5 million to start a private foundation.

### THE REALITY:

There are tens of thousands of effective, small private foundations in the U.S. In fact, according to IRS data, of the more than 91,000 foundations in existence today, 88% have assets below \$5 million and 66% are under \$1 million.

### THE MYTH:

Private foundations are time-consuming to create.

### THE REALITY:

If you choose to have Foundation Source establish the foundation on your client's behalf, Foundation Source can have the foundation up and running in less than a week. Foundation Source routinely provides this service to attorneys and their clients.

# 88%

The majority of all foundations have assets below \$5 million.

### THE MYTH:

Creating a private foundation is costly.

### THE REALITY:

While each donor is different, and issues related to settling an estate, liquidating assets, or navigating family dynamics can raise legal and accounting issues that add to the cost, the actual foundation creation doesn't have to be expensive. Foundation Source can establish a private foundation, using a Delaware corporate structure, for a very reasonable fee.

### THE MYTH:

Running a private foundation takes a lot of work, and it's expensive.

### THE REALITY:

Foundation Source provides a "virtual staff" for private foundations, eliminating the hassles and busywork. And because our experts are at the foundation's service, but not on its payroll, our comprehensive support services are highly cost-effective.

# \$1M

According to IRS data, 66% of foundations have assets under \$1 million

### THE MYTH:

A donor-advised fund is easier to manage.

### THE REALITY:

Our goal is to make a private foundation as easy to manage as a donor-advised fund. The outsourced services provided by Foundation Source take care of all the administrative work and compliance worries while keeping your client in control of all foundation activities.

# Guardrails For Your Clients' Foundations

## WHAT BENEFITS DOES FOUNDATION SOURCE PROVIDE FOR ATTORNEYS?

Foundations are subject to a myriad of regulations, and it's easy for donors to stray into compliance pitfalls. That's why it's helpful to have Foundation Source administer your clients' foundations.

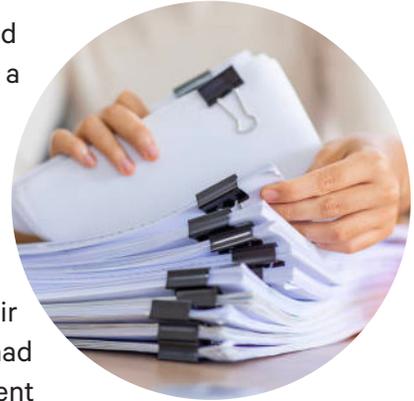
Our daily oversight enables us to serve as your eyes and ears, flagging possible issues before they rise to the level of violations.

**Here are some examples of how we've worked with attorneys to save clients both trouble and costly penalties.**



### The Under-Distributor

When an established foundation became a Foundation Source client, we reviewed several years' worth of their 990-PF forms. We discovered that their previous preparer had made errors that went back over years, causing them to have under-distributed. Working with their attorney, we were able to get their tax penalties abated. And because Foundation Source continually updates the foundation's progress toward satisfying its minimum distribution requirement, and also provides an online console where members can track it in real time, the client will never again confront this same problem.





## The Case of the Missing Tax Return

Before it became a Foundation Source client, one foundation routinely filed its own annual return. One day, however, the foundation received a notice from the IRS that it had missed an annual filing. No one on the board could figure out what had gone wrong until they discovered the forgotten tax return in the desk drawer of a recently deceased foundation member. By the time the discovery was made, however, the foundation was facing \$60,000 in penalties. Again, working with the foundation's attorney, Foundation Source was able to leverage its excellent working relationship with the IRS to explain the situation, file the missing return, and get the penalties abated.



## The “All in the Family” Self-Dealers

A family foundation decided to combine board business with pleasure, bringing their three young children along on a site visit to a Caribbean-based charity. The foundation then submitted its expenses for the trip to Foundation Source for reimbursement because, as they were aware, the foundation could pay for all legitimate and reasonable expenses incurred in carrying out its charitable purpose, including site visits—and count the expenditures toward meeting its minimum distribution requirement. Foundation Source reviewed the charges and discovered that the foundation had included airfare, hotel accommodation, and meals for their children as well as themselves. We caught the error, which could have resulted in a self-dealing violation, and explained that only foundation members' expenses may be reimbursed for attending foundation business. At the family's request, Foundation Source also provided a special training session on recognizing and avoiding self-dealing conflicts in the future.



# Identifying Prospects For Private Foundation Services

## WHEN IS A FOUNDATION A GOOD FIT?

Foundation Source can help you determine whether a private foundation is the best charitable vehicle for your client.

**A private foundation may be appropriate if the client wants:**

### Direct Control

Compared to other charitable vehicles, private foundations offer donors unmatched control over the management of the assets and disposition of grant funds, as well as governance, operations, and the charitable mission.

### Philanthropic Flexibility

Private foundations have broad latitude to pursue almost any charitable activity, including granting directly to individuals, making program-related investments, and running programs of their own.

### A Lasting Legacy

Because foundations can exist in perpetuity, they can provide an enduring testament to the family's name as well as its philanthropic values, vision, and deeds.

### A Current-Year Tax Deduction

The deduction for charitable contributions is available for the tax year in which the assets are donated to the foundation, even though grants resulting from those assets are often made in future years.

### Avoidance of Capital Gains

In addition to a deduction for income taxes on gifts to a private foundation, donors may also be able to avoid paying capital gains taxes by donating highly appreciated assets to a private foundation.

### Reduced Estate Tax Liability

With a private foundation, donated assets are removed from the donor's estate.

### A Tax-Management Strategy for a Liquidity Event

A private foundation can be an important element of a tax-mitigation plan that anticipates the sale of a business, an inheritance, or a legal/domestic settlement.

### Extended Family Control Over Charitable Assets

When a private foundation is established alongside either a charitable remainder trust or charitable lead trust, the donor and the donor's family can receive all the usual benefits of these trusts while retaining family control over charitable giving—potentially forever.

# 82K

Today there are over **82,000 private foundations in the United States.** Over **50% of them have been created in the past 12 years.**



# 98%

You can be confident that your clients will receive excellent, responsive customer service, as evidenced by the 98% satisfaction rating we receive from our clients year after year.



## Ideal Candidates for Foundation Management Services

For clients who already have foundations, our services free up resources, allowing board members and staff (if any) to focus on the strategic issues of philanthropy rather than the day-to-day operational concerns.

**Here are some characteristics to look for when evaluating which clients could benefit from foundation management services:**

- Foundations experiencing or anticipating a critical transition:
  - > Significant growth in foundation assets (planned or unplanned).
  - > Change in foundation governance, structure, or strategy.
  - > Loss of the foundation founder, major funder, key staff member, or manager.
  - > Increasing demand for administrative and operational support, technology, or compliance support.
  - > Divorce or other family dissension that requires an existing foundation to split up into two or more separate foundations.
- Foundations with geographically dispersed family members and/or directors.
- Foundations with few or no paid staff— the need for our services is especially high if the foundation is operated exclusively by family members.
- Foundations with a growing volume of grant requests from nonprofits.
- Foundations struggling to engage family members.
- Foundations that have IRS-related compliance issues, penalties assessed, or are subject to an audit.

“PRIVATE FOUNDATIONS VS. DONOR-ADVISED FUNDS” COMPARES THESE TWO POPULAR CHARITABLE VEHICLES. FIND IT AT [HTTPS://FOUNDATIONSOURCE.COM/RESOURCES/WHITE-PAPERS/PRIVATE-FOUNDATIONS-VS-DONOR-ADVISED-FUNDS/](https://foundationsource.com/resources/white-papers/private-foundations-vs-donor-advised-funds/) >



# Why Work with Foundation Source?

**WE SERVE MORE THAN 2,000 FAMILY, CORPORATE, AND PROFESSIONALLY STAFFED FOUNDATIONS, OF ALL SIZES, NATIONWIDE.**

**Here's how we can assist you:**

## Support for Your Client Relationships

You, as the attorney, maintain the primary relationship with your clients while benefiting from the support of the most experienced and knowledgeable foundation services provider in the marketplace.

## Comprehensive Oversight

Your clients are in good hands. We take care of all the details—from creating (or assisting to create) a new foundation to handling the most complex needs of large, established foundations.

## Fully Outsourced Services

We provide administration, compliance, and philanthropic advisory services and a customized, online platform that donors, their families, and staff can use to direct foundation activities. While we do not manage assets or provide legal counsel, we take care of everything else, so your clients can focus on their philanthropy.

“There are so many rules governing private foundations that are not necessarily obvious. Foundation Source is great at helping keep foundations out of trouble. They provide the right policies and checklists to help prevent mistakes, and their back-office and tax preparation services are less expensive than buying these services à la carte from a variety of professionals. Our clients are very happy with Foundation Source. They get good results, inexpensively.”

**CHARLES FAYERWEATHER, PARTNER**  
HEMENWAY & BARNES LLP, BOSTON, MA

## Resources and Networking For Your Clients

In addition to joining a community of private foundation peers, your clients will benefit from educational content, webinars, and in-person events reserved just for Foundation Source clients.

## Savings

Your clients get everything they need for a fraction of what it would cost to hire staff or consultants to provide the same level of service.

## Excellent Customer Service

Your clients will receive excellent, responsive customer service, as evidenced by the 98% satisfaction rating we receive from our clients year after year.

“Foundation Source provides the experience and expertise that make private foundations operate efficiently and effectively, not only from a standpoint of legal compliance, but also best practices for grantmaking. I've found [their employees] to be very knowledgeable in this complicated area and extremely attentive to the needs of my clients. Having access to this resource provides me with incredible added value when discussing what are frequently novel issues for those family foundations that are functioning creatively. For any family or individual who decides to form a private foundation...Foundation Source is the 'go-to' place.”

**DOUGLAS M. MANCINO, PARTNER**  
SEYFARTH SHAW LLP, LOS ANGELES, CA

# Engaging Foundation Source

Whether your client already has a private foundation or is just getting started with philanthropy, Foundation Source is ready to lend whatever assistance is needed. Here's what to do next:

## 1 Contact Foundation Source

Once you have identified a prospect, contact your regional Foundation Source Managing Director, or call 800.839.0054. After gaining an understanding of your clients' needs, we will help determine what services are appropriate, create a custom proposal, and outline next steps.

## 2 Schedule a Follow-up Meeting

You may want to schedule a follow-up meeting to introduce Foundation Source to your client. We'll work closely with you on any required follow-up activities.

## 3 Complete Our Services Agreement

Once there is interest in moving forward, we'll prepare an agreement for the client's execution. We'll work with you and the client to get the foundation up and running on our platform.



Reach out to your regional Foundation Source Managing Director, or call [800.839.0054](tel:800.839.0054).

## ABOUT FOUNDATION SOURCE

Foundation Source **empowers people and companies to create a better world** through philanthropy. As the nation's largest provider of foundation management services, we're a trusted source for philanthropic expertise. We invest in industry-leading technology for private foundations and offer a configurable suite of administrative, compliance, tax and advisory solutions that meet you where you are in your philanthropic journey.

For more than two decades, we've worked with individuals, families, boards and professional advisors to preserve legacies and make giving easier. Today we are proud to support **more than 2,000 unique foundations** and have facilitated over **\$10 billion in charitable aid**. With a 98% retention rate, we are honored to have earned the trust and loyalty of our clients.

## HAVE A QUESTION?

Call 800.839.0054 or send us an email at [info@foundationsource.com](mailto:info@foundationsource.com).

[www.foundationsource.com](http://www.foundationsource.com)

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