

Private Foundation Services

Offered through Wells Fargo Bank, N.A.

Managing a private foundation can be a very gratifying experience. However, complicated regulations can create real challenges for foundation managers. With over 50 years of experience, the Philanthropic Services group within Wells Fargo Bank is here to help you navigate the business of philanthropy.

Our experienced professionals understand and can assist with the following issues:

Governance

- Formalizing your foundation's **vision and mission**
- Understanding the **fiduciary responsibilities** of board members
- Knowing each **officer's responsibilities** associated with running the foundation's day-to-day activities
- Reviewing the **governing documents** (articles of incorporation, by-laws, trust document, etc.) for essential guidelines
- Adopting **governing policies** that define the foundation's management
- Establishing a **succession plan** for future board leadership
- Introducing the **principles of philanthropy** to next generation of family members, where applicable, by establishing a **junior board**

Policies

- Investment policy
- Conflict of interest policy
- Travel and expense reimbursement policy
- Document retention and destruction policy

Accountability

- Complying with disclosure and **reporting requirements**
- Identifying **disqualified persons** that are deemed to be related to the foundation
- Avoiding potential **self-dealing** and other **prohibited transactions**
- Maintaining **records of foundation activity** to plan for cash needs and prepare for tax reporting
- Evaluating whether board or advisory committee **compensation**, if any, is reasonable
- Understanding the foundation's **exemption application** (IRS Form 1023), **annual tax return** (IRS Form 990-PF), and **business income tax return** (IRS Form 990-T); per IRS requirements, must be available for public inspection

Taxes

- Meeting the **annual distribution requirement**
 - Identifying **qualifying distributions**, including grants, certain expenses, and other amounts set aside for a specific charitable purpose for future disbursement
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Investment management

- Considering **mission-related investment options** and certain program-related assets
- Avoiding **jeopardizing investments** that are closely scrutinized by the IRS
- Limiting the percentage of a business owned by a foundation in accordance with the **excess business holdings rule**
- Avoiding/identifying assets that may subject the foundation to **Unrelated Business Income Tax (UBIT)**
- Managing **investment sales**, when possible, to offset capital gains with capital losses (per IRS rules, private foundations are not allowed capital loss carryovers)

Grantmaking

- Verifying the **tax-exempt status** of every grant recipient
 - Performing **expenditure responsibility** and other **due diligence** prior to making grants that may be considered **taxable expenditures** by the IRS, such as grants to:
 - non-public charities or taxable entities for charitable purposes;
 - individuals (scholarships) for travel, study or similar purposes;
 - foreign charities
 - Adopting **grant guidelines** to improve focus and impact
 - Establishing a **grant application process** for consistent and fair grant review
 - Ensure grants are used for **intended purposes** and gauge **grant effectiveness**
 - Identifying grants that could cause **“tipping”** issues (grants that could “tip” a public charity into private foundation status)
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