

# PRIVATE FOUNDATIONS: SELECT VARIATIONS AND POSSIBLE ALTERNATIVES

Nonprofit Organizations Institute

UT Law

February 9, 2024

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## Private Non-Operating Foundations

- Default status for all 501(c)(3) organizations
- Perfectly appropriate and acceptable structure for many organizations
- Seeking an alternative structure needn't be a goal in itself

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# Private Non-Operating Foundations

Key Characteristics	
Donor Control	High
Deductibility (Limit)	30/20% AGI
Deductibility (Value)	FMV for publicly traded securities, basis for other
Operational Independence	High
Lobbying Permitted	No
Defining Code Section(s)	509
Operational Complexity	Moderate

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## Operational Considerations

- Often operate primarily as grantmakers
- All private foundation rules apply
- Generally well-understood
- Stable regulatory environment
- Requires donor disclosure

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## Variations and Alternatives

Private Operating  
Foundation

Supporting  
Organization

Conduit  
Foundation

Donor Advised  
Fund

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## Private Operating Foundation

- Private foundation that devotes its assets or income to the **active conduct of charitable activities** rather than grant making

*I.R.C. 4942(j)(3)*

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First appeared as part of the conference materials for the  
41<sup>st</sup> Annual Nonprofit Organizations Institute session

"The Middle Zone: DAFs, Supporting Organizations, Private Operating Foundations and Conduit Foundations"