



ELEVATE

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Private Foundations: A Strategic Approach to Business Philanthropy



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Melissa has been with BerryDunn for over 12 years and has focused on Not-For-Profit tax for the last eight years. She works with all types of clients—schools, hospitals, social services, private foundations, etc.



Attest services are provided by BDMP Assurance, LLP, a licensed CPA firm.

Agenda

- ▲ **01** Philanthropy Basics
- ▲ **02** Introduction to Private Foundations
- ▲ **03** Funding and Distributions
- ▲ **04** Contribution Deductibility
- ▲ **05** Donor Advised Funds

Learning objectives



- ▲ Understand philanthropic options available to businesses
- ▲ Understand the basics of Private Foundation formation and structures along with their requirements
- ▲ Understand the basics of Donor Advised Funds

Polling question #1





Section 1

Philanthropy Basics

Reasons Donors Choose to Give

To support
specific
missions

To make an
impact in a
community

To leave
a legacy

To show
appreciation

Scholarships
to build
workforce

Employee
engagement

Customer
and key
business
partner
engagement

Exit
strategies

Options for Giving

1

**501(c)(3) Public
Charities**

2

**Private
Foundations**

3

**Donor-Advised
Funds**



Section 2

Introduction to Private Foundations

Introduction to Private Foundations



- ▲ Charitable organization that typically receives their funding from a single source
- ▲ Do not generally solicit funds from the public
- ▲ Stricter regulations and oversight
- ▲ Primary purpose is to support charitable, educational, religious, scientific, or literary activities, often through grants to other organizations or individuals

Types of Private Foundations



Non-Operating Foundations

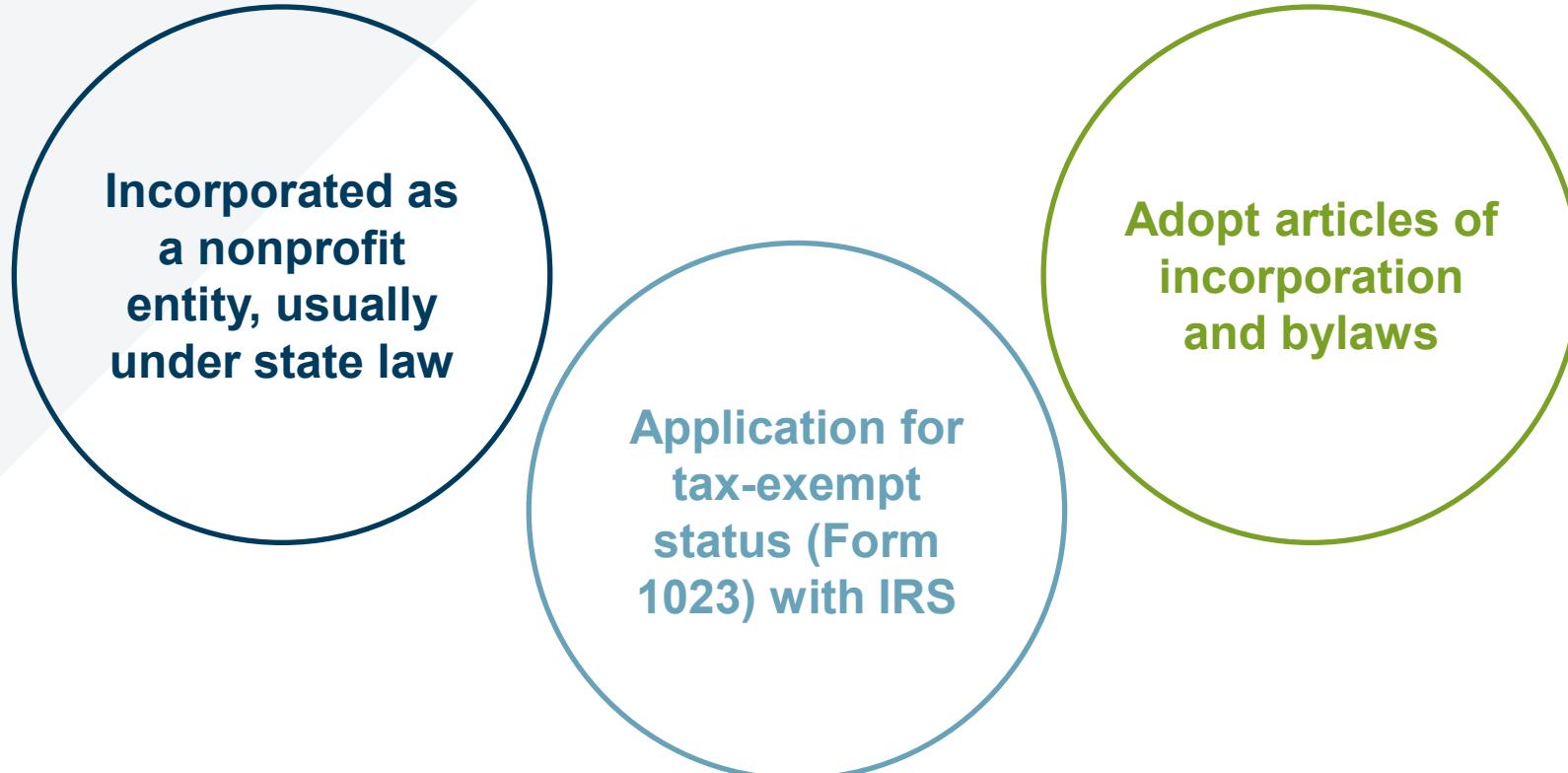
Primarily make grants to other charities or individuals



Operating Foundations

Directly conduct charitable activities

Formation and Structure



Governance

Board of Directors or Trustees responsible for oversight

Officers and staff may be appointed based on foundation's needs



Legal and Tax Requirements

- ▲ Maintain 501(c)(3) Status – must serve public interest and not benefit private individuals
- ▲ Annual Reporting
 - IRS filings – Form 990-PF
 - State filings
- ▲ Public Disclosure Requirements

Excise Taxes

- ▲ Excise tax on net investment income of 1.39%
- ▲ Net investment income
 - Interest
 - Dividends
 - Capital gains
 - Certain rents and royalties
- ▲ Expenses directly related to investment income allowed



A photograph of a person's hand holding a white pen and using a black electronic calculator. In the background, a laptop screen displays a grid of numbers, likely financial data. The image is partially obscured by a white diagonal band.

Section 3

Funding and Distributions

Sources of Funding



Personal or
family wealth



Corporate
contributions



Investment
Income

Distribution Requirements

Minimum Distribution Requirements

Generally – 5% of the FMV of a foundation's noncharitable-use assets

Qualifying Distributions

- Expenses directly related to charitable purposes
- Grants to public charities or individuals for charitable purposes

Must be paid out in cash

Expenses and grants not paid out in cash do not qualify

Best Practices for Grantmaking



Due Diligence



Verification



Recordkeeping

Polling question #2





Section 4

Contribution Deductibility

Contribution Deductibility

Feature	501(c)(3) Public Charity	Donor Advised Fund	Private Foundation
Deduction Limit – Cash	Up to 10% of Taxable Income	Up to 50% of Taxable Income	Up to 20% of Taxable Income
Deduction Limit – Appreciated Stock	Up to 10% of Taxable Income	Up to 30% of Taxable Income	Up to 30% of Taxable Income
Deduction Value – Appraised Assets	Fair Market Value for publicly traded securities; cost basis for non-publicly traded assets	Fair Market Value for publicly traded securities	Cost Basis for most non-publicly traded assets; fair market value for publicly traded securities



A photograph showing a person's hands working on a desk. They are using a black pen to point at a colorful pie chart on a document. The desk is covered with various financial reports featuring blue bar charts and pie charts. A white electronic calculator is positioned next to the charts. In the background, a laptop is open, and another person's hands are visible, also working on documents. The overall scene suggests a professional accounting or financial analysis environment.

Section 5

Donor Advised Funds

Donor Advised Funds

Immediate Tax Deduction

- Deduction is allowed the year the contribution is made to the DAF, even if the funds are not distributed to the recommended charities in the same year

Flexibility in Grantmaking

- Donors can make recommendations for grants to IRS-qualified public charities at any time

Investment Growth

- Contributions can be invested and increase amount available for future giving

Simplicity

- No separate tax filings, legal, compliance or grant administration

Anonymity

- Donors can opt to remain anonymous

DAF vs Public Charity vs Private Foundation

Feature	Donor-Advised Fund (DAF)	501(c)(3) Public Charity	Private Foundation
Setup & Maintenance	Easy, low cost	Complex, costly	Complex, costly
Tax Deduction Limits	Higher (up to 50% of taxable income)	Typically	Lower (typically 20% of taxable income)
Privacy	Can be anonymous	Can be anonymous	Public disclosure required
Control Over Grants	Recommend only	None	Full control
Regulatory Burden	Minimal	High (IRS Filing)	High (IRS Filing, Excise Taxes)



Questions?



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