

The foundation may borrow from its creator or officers. As stated earlier, this is frequently done to get the foundation under way and, because a deduction for contributions cannot be claimed until the IRS recognizes the foundation's exemption, the lender does not want to make a gift of the money. Such a loan should be shown by a simple note or memorandum signed by the foundation. If made at not more than fair interest, there will be nothing wrong with such a loan.

If a third party is asked to loan money, he will be mainly concerned about two questions:

1. Whether the person seeking to make the loan is authorized to act on behalf of the foundation, and
2. Whether the loan will be repaid.

When a person deals with any corporation, he must be concerned with whether the person who seeks to make a contract (in this case a loan) binding the corporation has power to do so. For this reason, the form resolutions prepared by banks include an optional resolution authorizing some person or persons