

DONOR-ADVISED FUNDS VS. PRIVATE FOUNDATIONS



POINT OF COMPARISON	DONOR-ADVISED FUND AT CFU	PRIVATE FOUNDATION
CREATION	Agreement with CFU	Establish nonprofit corporation or trust; File for tax-exempt status as a private foundation
START-UP COSTS	No costs to set up the fund (Although an administrative contribution may be required in the case of some complex asset gifts)	Legal, accounting, and operating costs similar to corporate startups
MINIMUMS TO OPEN	\$10,000 over three years	None, but median in U.S. is \$500,000
START-UP TIME	Immediate	Generally 6-12 months
TAX-EXEMPT STATUS	Under CFU's tax-exempt public charity status	Must apply to the IRS for tax-exempt status
ANNUAL TAXES	Generally none (Funds with non-cash assets such as land or partnership interests may have to pay UBIT)	Generally exempt from income tax. Must pay an excise tax of up to 2% of net investment gain, including capital gains

DONOR-ADVISED FUNDS VS. PRIVATE FOUNDATIONS



FRAMEWORK	DONOR-ADVISED FUND AT CFU	PRIVATE FOUNDATION
ANNUAL TAX FILINGS AND RETURNS	Included in CFU's annual filing	Must file appropriate tax return and all required schedules
DONOR CONTROL	Donor may make advisory recommendations on investments and grants, but CFU makes final decisions	Founder (and successors) retain ultimate control over investments and grant-making, limited only by IRS rules and regulations
CHARITABLE DEDUCTIONS FOR CASH GIFTS	Up to 60% of Adjusted Gross Income per year	Up to 30% of Adjusted Gross Income per year
CHARITABLE DEDUCTIONS FOR GIFTS OF STOCK OR REAL PROPERTY	Up to 30% of Adjusted Gross Income per year	Up to 20% of Adjusted Gross Income per year
VALUATION OF GIFTS	Fair Market Value	Fair market value for publicly-traded stock; cost basis for all other gifts, including closely-held stock or real property
REQUIRED ANNUAL PAYOUT	None	Must expend 5% of net asset value annually for charitable purposes, regardless of how much the assets earn
MANAGEMENT	CFU manages, with advisory recommendations from the donor	Manage assets, keep records, select charities, administer grants, file state and federal tax returns, maintain board minutes, etc.

DONOR-ADVISED FUNDS VS. PRIVATE FOUNDATIONS



FRAMEWORK

DONOR-ADVISED FUND AT CFU

PRIVATE FOUNDATION

OPERATING COSTS

CFU assesses an administrative contribution on the fund to help defray its management costs

Annual administration, accounting, audit, and legal costs. Amount varies; generally 3-8% per year

INVESTMENTS

CFU manages, with advisory recommendations from the donor

Must research and manage own investments, or retain and asset manager at an additional fee

PRIVACY

Donor may request anonymity

Must file detailed, public tax returns with information on grants, investment fees, trustee names, staff salaries, etc.

FIDUCIARY RESPONSIBILITY

CFU's Board of Directors

Foundation's Officers and/or Board of Directors, including successors (often obligating family members for generations to come)

RESTRICTIONS FOR DISQUALIFIED PERSONS

No excess benefits to donor advisors or their family members (or to CFU's Board or employees)

No self-dealing to donors, their family members, or any other disqualified persons

Excess benefits include any personal or financial benefit resulting from a grant, including any compensation, satisfying personal pledges, any expenses, tickets to events, or special membership privileges

(Public recognition is not considered an excess benefit)

Self-dealing includes, among other things, excessive compensation, satisfying personal pledges, covering unreasonable expenses, tickets to events (unless part of their grant-making oversight responsibilities), and use of assets for goods or services that are not furnished to the general public

DONOR-ADVISED FUNDS VS. PRIVATE FOUNDATIONS



FRAMEWORK

DONOR-ADVISED FUND AT CFU

PRIVATE FOUNDATION

ADDITIONAL RESTRICTIONS ON GRANT-MAKING

No grants to individuals

Grants to individuals permitted
(but must comply with applicable
IRS guidelines)

No grants of less than \$100

Foundation sets grant minimum
(if desired)

No grants to political campaigns
or to influence legislation

No grants to political campaigns or
to influence legislation

No reimbursement of
donors' expenses or
donor compensation

Can reimburse donors' reasonable
expenses and/or provide reasonable
compensation to the donor
(but must comply with applicable IRS
guidelines)

IRS requires expenditure
responsibility if grant is not going
to a qualified public charity; CFU
will consider taking on the
additional administrative burden
on a case by case basis

IRS requires expenditure
responsibility only if grant is not
going to a 501(c)(3) tax-exempt
organization; Foundation determines
whether to take on the additional
administrative burden