Comparison of Private Foundations to Donor Advised Funds

Donor Advised Funds have many advantages over Private Foundations as demonstrated on the chart below.

Attributes	Private Foundations	Donor Advised Funds
Set-Up		
Timing	May require a month or more to establish and qualify for tax exemption	Can be established in a matter of days
Minimum to establish	Typically $1,000,000 or more to justify set-up and administration expenses	$10,000
Incorporation	Must apply for incorporation and tax exemption, tax exempt status often takes up to 18 months for approval	No incorporation required; tax exemption falls within Community Foundation's umbrella
Start-up costs	Significant legal and accounting start-up costs	No start-up costs
Tax returns	Annual 990 must be filed with IRS	Community Foundation handles all filings
Amount Deductible		
Cash and publicly-traded securities	Fair market value	Fair market value
Other appreciated assets	Limited to cost basis	Fair market value
Percentage Limitations		
Cash gifts	30% of adjusted gross income	50% of adjusted gross income
Appreciated property	20% of adjusted gross income	30% of adjusted gross income
Other Considerations		
Excise tax on investment income	2%	None
Donor control	Legal control	Advisory privileges
Anonymity	No; must file detailed returns on grants, investments, fees, salaries, etc.	Yes; donors and grants can be private, and the Community Foundation can serve as a buffer between donor and grant-seekers
Annual distribution requirements	5%	None
Ongoing administration	Private foundation responsible for all functions of administration	Community Foundation handles all administration responsibilities for the fund
Primary Advantages		
	Control, independence, and family identity	Low start-up cost, deductibility, nonprofit knowledge, anonymity, flexibility, permanence, and simplicity