

There are many practical reasons why establishing a charitable fund might make more sense than creating a private foundation.



	← EASY INEXPENSIVE		COMPLEX → COSTLY
	DONOR ADVISED FUND	SUPPORTING ORGANIZATION	PRIVATE FOUNDATION
SETUP	Established at Community Foundation of Northern Colorado	Nonprofit corporation created with assistance from Community Foundation	Nonprofit corporation or trust organized as a private foundation
TAX EXEMPT STATUS	Shares the public charity tax exempt status of Community Foundation	Shares the public charity tax exempt status of Community Foundation	Must apply for private foundation tax exempt status from the IRS
START-UP COSTS	No cost to donor	Minimal costs through collaboration with Community Foundation	Similar to corporate start-up requiring substantial legal, accounting and operational start-up costs
CHARITABLE DEDUCTIONS FOR CASH GIFTS	Tax deduction of up to 50% of adjusted gross income	Tax deduction of up to 50% of adjusted gross income	Tax deduction is limited to 30% of adjusted gross income
CHARITABLE DEDUCTIONS FOR APPRECIATED PROPERTY	Full market value deduction. Tax deduction available to fair market value. Tax deduction available up to 30% of adjusted gross income.	Full market value deduction. Tax deduction available to fair market value. Tax deduction available up to 30% of adjusted gross income.	Cost basis deduction only. Tax deduction is limited to donor's cost basis in some cases and limited to 20% of adjusted gross income.
DONOR CONTROL	Donor makes advisory grant recommendations to the Community Foundation Board.	Donor holds organizational influence and may appoint minority of board of directors.	Donor retains complete control over investments and grantmaking, subject to IRS requirements
SELF-DEALING RULES	Private foundation self-dealing rules do not apply. Gifts of closely held stock are allowed.	Private foundation self-dealing rules do not apply. Gifts of closely held stock are allowed.	Strict regulations prohibit most transactions between a private foundation and its donors. No gifts of closely held stock are allowed.
PAYOUT REQUIREMENTS	There are no minimum or maximum grant payout requirements for the fund.	Do not apply	Must pay out annually for charitable purposes at least 5% of its assets value regardless of its annual income
ADMINISTRATIVE SERVICES	Services provided by Community Foundation	Affiliation with Community Foundation provides access to existing services	Must establish and/or obtain these services
ANNUAL COSTS	Minimal	Shared by Community Foundation and therefore kept at a minimum	Administration can be costly
ANNUAL TAXES	None	None	Generally, income is tax exempt but subject to excise tax of up to 2% of net investment gain, including net capital gains
ANNUAL TAX FILINGS	Not required (reported as part of Community Foundation's annual reporting)	Prepared and filed by Supporting Organization	Must be filed by private foundation with required supporting schedules
INVESTMENTS	Fund assets are professionally invested through Community Foundation	May avail itself of professional investment services offered by Community Foundation	Must research and secure its own investment vehicles
FIDUCIARY RESPONSIBILITY	Community Foundation fulfills the associated fiduciary responsibilities	Administrative guidance provided by Community Foundation	The private foundation board has full fiduciary responsibility