

Private Foundation vs. Donor Advised Fund

Issue	Private Foundation (PF)	Donor Advised Fund (DAF)
How created	PF must file articles of incorporation or trust documents and qualify with IRS, process that normally takes 3-6 months	By executing agreement with MCCF, a process that takes less than a day
Amount needed to establish	\$2-\$5 million usually required to justify startup and ongoing	\$100 to open; \$10,000 to be fully endowed and able to award grants
Assets that may be contributed	Wide range; some limits in PF rules on "excess holdings" of particular stocks	Cash; publicly traded stock; restricted stock; real estate; minerals; limited partnership interests; other assets including collectibles or art
Startup costs	Similar to incorporating a company, about \$5,000 on average	None, unless assets to be contributed necessitate unusual costs (such as environmental review on gift of land)
Charitable deduction (cash gifts)	Up to 30% of adjusted gross income (AGI)	Up to 50% of AGI
Charitable deduction (appreciated property)	Up to 20% of AGI, based on fair market value (FMV) for publicly traded stock, costs basis for other	Up to 30% of AGI, based on FMV
Carryforward available	Five year	Five years
Operational control by client	Client controls operations, investments and grantmaking, subject to special IRS restrictions	Client offers grant recommendations, subject to review by MCCF
Family members or friends as volunteers	Will be needed to run the foundation unless staff will be hired	Can participate in grantmaking activities, but MCCF has administrative staff to handle all
Operational and grantmaking guidance	Little or no assistance available	MCCF staff available to consult with client, research charities
Annual operating costs	Vary according to the size and complexity of the foundation	Administrative fees: 1% of fund's principal for endowed funds; 1.5% of fund's principal for expendable funds
Excise tax on investment income	Either 1% or 2%	Does not apply
Self-dealing rules	Strict regulations prohibit most transactions between PF and its donors (including related persons or companies)	Do not apply
Minimum payout requirement	Must pay out at least 5% of net investment asset value regardless of income	Does not apply
Annual tax return	Must file annual Form 990-PF, which includes all contributions to and grant from the PF	MCCF files annual Form 990 for all funds
Public disclosure of tax return	Last three year's returns, including contributions and grants, available to anyone	Last three year's returns available to anyone, however, donor lists are confidential and grant list does not identify fund source