



**THE COMMUNITY FOUNDATION OF FREDERICK COUNTY
COMPARES
DONOR ADVISED FUNDS AND PRIVATE FOUNDATIONS**

	DONOR ADVISED FUNDS	PRIVATE FOUNDATIONS
Creating the Fund	Established at the Community Foundation as a component fund with simple fund agreement	Nonprofit corporation or trust independently organized, requiring drafting and filing incorporation papers, completing application and filing for tax exempt status, developing governance documents
Tax-Exempt Status	Shares Public Charity status of the Community Foundation	Must apply for private foundation tax exempt status from the IRS
Start-Up Costs	No cost to donor	Full corporate start-up costs: <ul style="list-style-type: none"> • Legal • Accounting and • Filing costs
Recommended Size	Can start with \$25,000, but will start with less with planned gift	\$5 million or more
Charitable Deductions Cash Gifts	Tax deduction of up to 60% of adjusted gross income	Tax deduction is limited to 30% of adjusted gross income
Charitable Deductions Appreciated Property	Tax deduction available for full fair market value, up to 30% of adjusted gross income	Tax deduction limited to donor's cost basis up to 20% of adjusted gross income (special exemptions have allowed full fair market value for securities in recent years)
Donor Control	Donor holds advisory powers over grant recommendations and investment decisions if fund exceeds \$500,000, with final decisions approved by the Community Foundation	Donor retains complete control over investments and grant making, subject to IRS requirements
Mandatory Distributions	Do not apply	5% of assets must be distributed annually
Grant Making Program Management	Provided by the Community Foundation	Must establish and/or obtain these services
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Annual Costs	Minimal 1.25% of the annual market value of the fund	General administrative and office expenses
Annual Taxes	None	Subject to excise tax of up to 2% of net investment gain including net capital gains
Annual Tax Filings and Returns	Not required	Must be filed by the private foundation with required supporting schedules
Investments	Assets professionally invested as part of the Community Foundation's total assets; Donor may recommend investment options if fund exceeds \$500,000	Must research and secure its own investment vehicles
Anonymity (if desired)	Yes – donors and grants can be private, with the Community Foundation acting as a buffer between donor and grantseekers	No – must file detailed returns on grants, investments, fees, salaries, etc.
Involvement of Successor Generations	Set by the founding donor and the Community Foundation	Set by the board's policies
Administrative Concerns (personnel, investments, and grants management)	Services provided by the Community Foundation	Must establish and/or maintain these services
Fiduciary Responsibilities	The Community Foundation fulfills the associated fiduciary responsibilities	Board has fiduciary responsibilities.
Liability and Risk Insurance	Provided by the Community Foundation	Must be purchased
Self-dealing Rules	Private foundation self-dealing rules do not apply	Strict regulations prohibit most transactions between a private foundation and its donors (including related persons or organizations)