



If you are thinking of establishing a private foundation, consider the advantages of starting a donor-advised fund at the Community Foundation instead. Due to the public charitable status of community foundations, there are many advantages afforded them. Creating an advised fund saves time and money and reduces the administrative hassles, tax burdens, reporting requirements, and self-dealing restrictions placed on private foundations by the IRS.

	Donor-Advised Fund at CFHOC	Private Foundation
Steps to Organize	A fund agreement is entered between CFHOC and the donor to document the donor's intent; no upfront costs or fees to establish a fund.	Must form a new legal entity, either a nonprofit corporation or a trust. Must apply for IRS exempt status. Legal and accounting fees required.
Annual Fees	Approximately 1.5% (or less)	Extensive annual administrative, legal and investment costs
Initial Gift/Balance Minimum	\$2,500 for expendable, \$10,000 for permanent	\$5-10 million recommended
Tax Deductions	Typically more favorable (for example, 60% of AGI on cash gifts)	Typically less favorable (for example, 30% of AGI on cash gifts)
Annual Tax Filings & Returns	No additional reporting required; part of CFHOC IRS Form 990	Private foundation board of directors must file IRS Form 990 annually
Record Keeping/Accounting	Provided by CFHOC staff	Private foundation staff/volunteers must provide
Administrative Support	Provided by CFHOC staff	Private foundation staff/volunteers must provide
Payout/Grants Required	No	Yes – at least 5%
Annual Taxes	No	Yes – up to 2%
Governance and Oversight	CFHOC's board of trustees; fundholder advises grantmaking from the fund	Private foundation's own board of directors
Grantmaking Strategy Assistance	CFHOC can provide direction and insight and can even connect donors directly with nonprofits if desired	Private foundation must do their own due diligence or hire staff to manage
Confidentiality	Yes – donor can choose anonymity both in giving and grantmaking	No – must file public reports that disclose all asset size, giving and grantmaking information
Donor Control of Distributions	Donors can recommend grants to any 501(c)(3) public charity in the country. Grants will be carried out with CFHOC board approval.	Donors can recommend grants to organizations or individuals, subject to private foundation's board
Investments	CFHOC has a record of long-term growth by top-tier investment managers, but donors can request their advisors continue managing their assets if they meet certain criteria	Private foundation staff must oversee investments; management can be costly depending on assets

For more information, contact Nick Grimmer, CFRE, director of giving strategies, at **315-731-3737** or ngrimmer@foundationhoc.org.