

Compare a Donor Advised Fund at Fairfield County’s Community Foundation with a Private Foundation



Which makes better sense for you? We welcome the opportunity to review this comparison with you, and answer your questions.

Feature	Donor Advised Fund at Fairfield County’s Community Foundation	Private Foundation
IRS charitable status	501(c)(3) and 509(a)(1) (public charity)	510(c)(3) (private foundation)
Governing body	FCCF Board of Directors. Board must review and approve all grant recommendations. Donor/fund not identified during review process Fund may have advisor or advisory committee of family members and/or others Donor retains right to recommend grants from fund. Successive generations may participate in future giving	Foundation board may consist of donor and others Foundation board must meet and approve all grants and administrative matters Foundation board responsible for audit and filing appropriate tax returns
Tax treatment of cash gifts	Deductible up to 60% of Adjusted Gross Income (AGI)	Deductible up to 30% of AGI
Tax treatment of gifts of appreciated publicly-traded securities	Full market value deductible up to 30% of AGI	Full market value deductible up to 20% of AGI
Tax treatment of closely held stock or real estate	Full market value deductible up to 30% of AGI or cost basis up to 50% of AGI	Deduction limited to donor’s cost basis, up to 20% of AGI
Deduction carry-over available	Five additional years	Five additional years
Ease of establishment, incorporation and tax exemption	One signed document (Fund Agreement) Automatically covered by FCCF’s tax exempt status	Formation of corporation or trust required Must apply to IRS for tax exempt status using Form 1023 (IRS may take six months or longer to process)
Self dealing rules	Not applicable	Strict prohibition under IRC Sc. 4841

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Excise tax on investment income and net realized capital gains	None	Generally 2%; may be reduced to 1% under special circumstances
Minimum payout requirements	No (can accumulate toward a sizable project or grant with no required payout)	Yes (minimum 5% of average asset value each year under IRC Sc. 4941)
Application of expenditure responsibility procedures for grants to organizations and/or programs that are not public charities	No	Yes (under IRC Sc 4945: Taxable expenditure retax for failure to make "expenditure responsibility" investigations)
Possibility of advisory role for donor and family in grantmaking	Yes	Yes
Separate annual IRS tax return required	No	Yes
Privacy	Yes. Donors are generally recognized for grants disbursed, but grants may be made anonymously. If a donor wishes, FCCF can serve as the buffer between donors and grantseekers Individual donor's fund asset size, gifts and grantmaking are kept private and confidential. No public disclosure of individual grants or donations is required.	No (IRS Form 990-PF is open to public inspection). Private foundations are required to file detailed tax returns on grants issued, investment fees, trustee fees, staff salaries, asset size, etc. and then publish a notice to the public that the tax return is available for viewing. These are public records and are often compiled into grantseeker directories
Investment, accounting, audit and tax returns	FCCF handles all investments and accounting, files annual tax return and provides annual independent audit	Foundation board must perform, contract or hire staff for these services
General administration	FCCF handles all financial and administrative management	Foundation board must perform, contract or hire staff for these services
Grant administration	If donor wishes and, based on fund size, FCCF can identify potential recipients, investigate applicants, make grant payments and monitor performance	Foundation board must perform, contract or hire staff for these services
Liability and insurance	Advisors to funds are covered by FCCF's liability and office insurance policies.	Any Directors and Officers liability insurance, employee bonding, and office insurance must be separately purchased

Questions? Contact Kristy Jelenik, Vice President of Development, KJelenik@FCCFoundation.org, 203.750.3200