



Donor Advised Funds are convenient, flexible tools for individuals, families, businesses, or groups that want to be personally involved in making grants. Companies looking for an easy and effective way to give back to the community can establish a DAF and a team of employees can meet regularly to review local needs and recommend grants. Donor Advised Funds are typically less costly and easier to administer than private, family or corporate foundations. The donor or other named advisors can recommend grants to 501(c)(3) nonprofit organizations from the fund's investment income and/or the corpus. Grants are made in the fund's name, and the donor receives quarterly fund activity statements. The donor also has the right to name successor advisors to the fund who can recommend grants in the fund's name after the death of the original donors.

Private foundation allows extensive donor control over distributions, board selection and investment management. However, private foundations are highly controlled by the IRS with many special restrictions and regulations, including administrative and reporting burdens, excise taxes and a required minimum payout.

	Donor Advised Fund	Private Foundation
Creating the Foundation	Established at CFOSJ by a simple agreement	Nonprofit corporation or trust organized as a private foundation with additional legal and tax advice
Tax Exempt Status	Shares the public charity tax exempt status of CFOSJ, as a "component" of CFOSJ	Must apply for private foundation tax exempt status from the IRS
Start-up Costs	No cost to donor	Similar to a corporate start-up requiring substantial legal, accounting, and operational start-up costs
Recommended Size	\$5,000 or more	Substantial assets required (\$5 – 10 million)
Charitable Deductions for Cash Gifts	Tax deduction of up to 50% of adjusted gross income (AGI)	Tax deduction of up to 30% of adjusted gross income (AGI)
Charitable Deductions for Appreciated Property	Tax deduction available for full fair market value of marketable securities and other property	Tax deduction may be taken for fair market value of marketable securities up to 20% of AGI. Tax deduction for other property is limited to the lower of cost or fair market value
Donor Control	Donor makes advisory grant recommendations; final decision rests with CFOSJ's board of directors	Donor retains complete control over investments and grant making, subject to IRS requirements
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)
Payout Requirements	Upon donor discretion	Must pay out for charitable purposes at least 5% of its asset value annually, regardless of its income
Contact with Potential Grantees	CFOSJ provides at donor request	Donor must provide
Administrative Concerns (personnel, facility, gift, and grant managing)	Services provided by CFOSJ	Must establish and/or obtain these services
Annual Costs	Minimal	Administration can be costly
Annual Taxes	None	Subject to an excise tax of up to 2% of net investment gain, including net capital gains and income
Annual Tax Filings and Returns (990 Report)	Not required (reported as part of CFOSJ's annual reporting)	Must be filed by the private foundation with required reporting schedules
Investments	Fund assets are professionally invested through CFOSJ's investment program	Must research, secure, and carefully monitor its own investment vehicles
Fiduciary Responsibility	CFOSJ fulfills the associated fiduciary responsibilities	The private foundation board has fiduciary responsibility
Liability and Risk Insurance	Provided by CFOSJ	Must be purchased by the private foundation