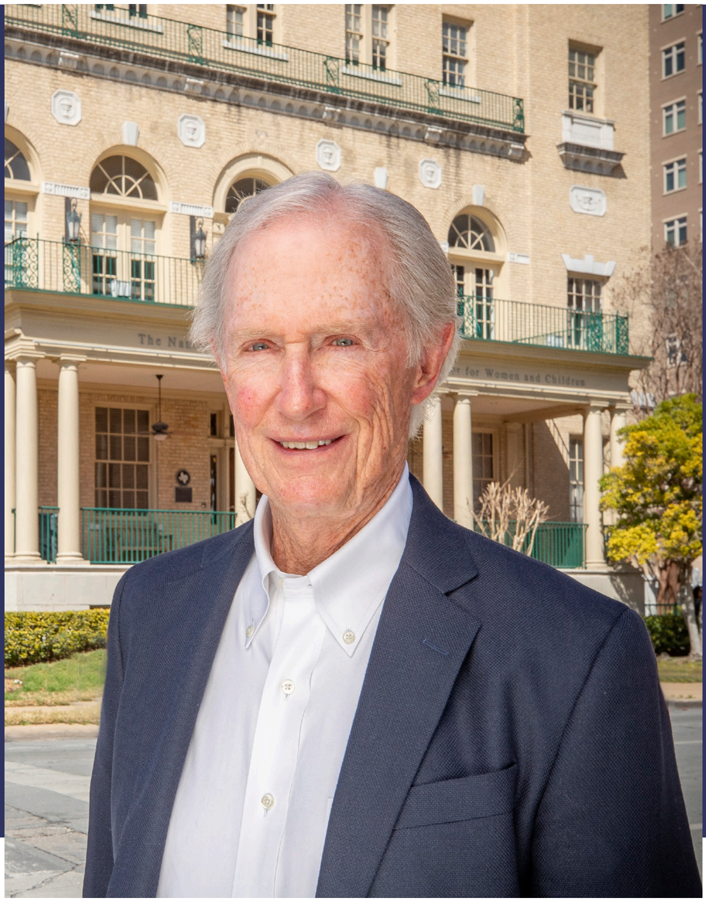
Community Foundation vs. Private Foundation: Which is Right for You?

Private foundations provide donors a strong philanthropic identity, with the freedom to support multiple nonprofits and involve family members in their mission. However, the administrative requirements and operating costs can be substantial.

A Donor Advised Fund offers many of the same benefits of a Private Foundation at a fraction of the cost. This option gives you the ability to maintain the same identity and charitable goals, while our team provides all the necessary administrative support.



WHAT YOU KEEP

IDENTITY
A donor advised fund lets your family or the original founding donor retain their identity and stature in the community.

CHARITABLE INTENT
The same mission and focus of a private foundation can be incorporated into guidelines and objectives of your donor advised fund.

GRANTMAKING
As fund advisor(s), you recommend grants, which are then vetted by North Texas Community Foundation to ensure grants comply with all IRS guidelines and requirements.

FAMILY LEGACY
A fund established at the Community Foundation allows families to teach their children and subsequent generations the importance and wisdom of philanthropy that can make a positive impact in our community. Successor fund advisors can also be named for the next generation.

"When our family made the decision to find an alternative vehicle for our private foundation, it became clear that the Community Foundation could offer us an efficient and effective platform.

It has been a good decision for our family and we recommend it to other private foundations who might be considering alternative solutions."

- John Snyder

WHAT YOU GAIN

FAVORED TAX STATUS

As a public charity, the fund will retain favorable tax status compared to a private foundation. Cash gifts to the fund are deductible up to 60% of adjusted gross income vs. 30% for a private foundation. Gifts of appreciated property are deductible up to 30% of adjusted gross income vs. 20% for a private foundation.

PROFESSIONAL INVESTMENT MANAGEMENT

The Community Foundation's investment consultants support asset allocation and manager selection. Oversight is provided by the Foundation's Investment Committee, comprised of experienced investors and investment professionals. Additionally, due to the Community Foundation's economy of scale, investment fees are lower than similarly structured private portfolios. Larger funds may have the option of recommending an outside investment manager with the approval of the Investment Committee.

SELECTIVE ANONYMITY

While most individuals and families are comfortable with recognition for their generosity, some may desire anonymity. Fund advisors can either choose to be recognized or make grants anonymously.

GRANTMAKING SUPPORT

The Community Foundation has a professional grantmaking staff with deep knowledge of the organizations that comprise our region's vibrant nonprofit community.

DONOR ADVISED FUND ADVANTAGES:

- Control over identity
- Higher limits of deductibility
- Professional portfolio management
- Anonymity options
- Grantmaking support
- No distribution requirements
- No excise tax
- No tax returns or audits

WHAT YOU LOSE

DISTRIBUTION REQUIREMENTS

IRS regulations require private foundations to distribute at least 5% of the foundation's assets each year. Donor advised funds currently have no such annual requirement.

EXCISE TAX

Private foundations are required to pay a 1-2% excise tax on investment income. Donor advised funds are not subject to such tax.

TAX RETURNS AND AUDITS

Private foundations are required to file annual Form 990-PF tax returns and, depending upon the size of the private foundation, may need annual audits as well as incur legal expenses. These administrative costs and functions are not required of funds at the Community Foundation.

ADMINISTRATIVE EXPENSES

Legal, accounting and operational expenses can be substantial for Private Foundations. The administrative fee for our donor advised funds is capped at 1% for funds up to $1M and steps down as the dollar value of the Fund increases.

DONOR ADVISED FUND VS PRIVATE FOUNDATION

COMPARING THE OPTIONS

NORTH TEXAS COMMUNITY FOUNDATION

FEATURE	DONOR ADVISED FUND	PRIVATE FOUNDATION
CREATING THE FOUNDATION	Component part of the Community Foundation established by the fund agreement	Separate nonprofit corporation or trust organized as a private foundation
TAX EXEMPT STATUS	Shares the Community Foundation's tax exempt status	Apply to IRS for tax exempt status
START-UP COSTS	No cost to donor	Costs of creating a new corporation can be substantial: legal, accounting and operational start-up
PRIVACY	Grants can be anonymous	All grants are public
CHARITABLE DEDUCTIONS FOR CASH GIFTS	Tax deduction of up to 60% of adjusted gross income	Tax deduction of up to 30% of adjusted gross income
CHARITABLE DEDUCTIONS FOR LONG-TERM APPRECIATED PROPERTY	Tax deduction available for full FMV of marketable securities and other property for those who itemize Tax deduction of up to 30% of adjusted gross income	Tax deduction for FMV of marketable securities only: limited to the lower of cost or FMV for other property Tax deduction of up to 20% of adjusted gross income
DONOR INVOLVEMENT	Donor recommends grants subject to the Community Foundation's approval	Donor retains complete control over investments and grantmaking, subject to self-dealing and excess benefit requirements
PAYOUT REQUIREMENTS	Do not apply	Must pay out minimum 5% annually
ADMINISTRATIVE TASKS	Services provided by the Community Foundation	Services arranged by donor
ANNUAL COSTS	1% of fair-market value of assets, declining as asset size increases	Separate costs for staff support, office space, accounting, grant processing, tax filing, etc.
ANNUAL TAXES	None	Excise tax up to 2% of net investment gain, including net capital gains and income
ANNUAL TAX FILINGS	Not required (reported as part of the Community Foundation's annual reporting)	Must be filed by the private foundation with required reporting schedules
INVESTMENTS	The Community Foundation professionally invests assets with oversight of investment committee	Must research, hire, monitor and evaluate its own investment managers
FIDUCIARY RESPONSIBILITY	The Community Foundation assumes all fiduciary responsibilities	Private foundation board has fiduciary responsibility

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