

Charitable Choices

Comparison of a GCF Donor Advised Fund, a Supporting Organization of GCF, and a Private Foundation

	Donor Advised Fund (DAF)	Supporting Organization (SO)	Private Foundation (PF)
Naming	[Donor's Choice of Name] Fund of the Greater Cincinnati Foundation (GCF)	[Donor's Choice of Name] Foundation (a separate nonprofit entity affiliated with GCF.)	[Donor's Choice of Name] Foundation
Tax Status	Public Charity 501(c)(3); 509(a)(1) No separate tax exemption application needed; component fund of GCF	Public Charity 501(c)(3); 509(a)(3) Must apply to IRS for tax-exempt status	Private Foundation 501(c)(3); 509(a) Must apply to IRS for tax-exempt status
Permanent Assets	Varies depending on donor's intent	Commitment to reach at least \$3 million within a reasonable period	Cost analysis determines minimum; options vary, generally greater than \$5 million
Tax Payable on Net Investment Income	None	None	Annual excise tax on net investment income, including capital gains
Payout Requirement	None	None	At least 5% of fair market value annually
Deductibility of Gifts	Cash gifts deductible up to 60% of adjusted gross income (AGI); gifts of appreciated long-term capital gain property deductible at fair market value, up to 30% of AGI	Same as DAF	Cash gifts deductible up to 30% of AGI; gifts of publicly traded stock deductible at fair market value, up to 20% of AGI; limited to cost basis for appreciated property other than publicly traded stock

	Donor Advised Fund (DAF)	Supporting Organization (SO)	Private Foundation (PF)
Control	Donors may remain involved by recommending grants	Has own board of directors, with majority appointed by GCF	Has an independent board of directors appointed by founding donors
Administration	All recordkeeping and accounting carried out by GCF's professional staff No separate estate or federal tax return reporting required	All recordkeeping and accounting carried out by GCF's professional staff Annual audit and tax return filing coordinated by GCF, but SP pays related costs	Board responsible for record keeping and accounting Board responsible for annual tax return filings and related costs <i>Support/coordination available through GCF's philanthropic services</i>
Duration	Varies by asset size and fund agreement Can be perpetual with \$1 million in assets	Perpetual	Perpetual
Family Participation	Yes, subject to control and duration limitations noted above	Yes, subject to control and duration limitations noted above	Yes, subject to founding documents Self-dealing rules apply
Grantmaking Expertise	GCF staff review and monitor grant suggestions Knowledge of local nonprofits Awareness of current community needs Network with local leaders and other philanthropists	GCF staff review and monitor grant suggestions Knowledge of local nonprofits Awareness of current community needs Network with local leaders and other philanthropists May receive formal proposals from nonprofit organizations	Board members responsible for grantmaking <i>GCF provides grantmaking services to PFs on a fee-for-service basis</i>
Investment Input	Donor chooses investment manager from GCF-approved list; separately managed account available for funds greater than \$2 million.	Board of directors selects and oversees investments	Board of directors selects and oversees investments Subject to limit on jeopardy investments (see below)

	Donor Advised Fund (DAF)	Supporting Organization (SO)	Private Foundation (PF)
Anonymity/Privacy	Donor may remain anonymous	Tax returns with financial information and list of directors and officers is public information	Same as SO
Cost	<p>Administrative fee structure for GCF:</p> <ul style="list-style-type: none"> • 1.1% of market value of funds up to \$750,000 • .82% of market value of additional funds up to \$2.5M • .55% of market value of additional funds up to \$5M • .11% of market value of additional funds over \$5M <p>Investment management fees vary with the investment advisor (selected by the donor from an approved list of firms with which GCF works)</p>	<p>Subject to agreement. The administrative fee depends on the amount of GCF staff involvement and is based on actual hours spent by staff members</p> <p>Actual time and materials for public relations services and direct expenses such as insurance, annual audit or tax filings will be billed to the SO separately</p> <p>Investment management fees are direct expenses of the SO</p>	<p>Start up costs include legal fees for preparation of application for tax-exempt status. Annual fees for preparation of 990-PF by accounting firm.</p> <p>Investment management fees must be negotiated with firm/advisor selected by the board, if any. Such fees are direct expenses of the foundation</p> <p>Liability insurance may be purchased by the foundation to cover board and directors</p> <p><i>Administrative and/or grantmaking support from GCF available for a fee based on scope of work</i></p>
Private Foundation Tax Rules and Restrictions	<p>No tax on investment income</p> <p>No minimum annual charitable distribution requirement</p> <p>Self-dealing tax rules do not apply (but DAF tax rules limit distributions for benefit of donor advisor and excess benefit rules apply)</p> <p>Excess business holding rules apply (20% limit on holding closely held stock)</p> <p>Taxable expenditure rules do not apply (but generally limited to making distributions to public charities)</p> <p>Jeopardy investment rules do not apply</p>	<p>No tax on investment income</p> <p>No minimum annual charitable distribution requirement</p> <p>Self-dealing tax rules do not apply</p> <p>Excess business holding rules do not apply</p> <p>Taxable expenditure rules do not apply</p> <p>Jeopardy investment rules do not apply</p> <p>May lobby, subject to limits applicable to public charities (i.e. may not be a “substantial part” of activities of SO)</p>	<p>1.39% tax on investment income</p> <p>5% minimum annual charitable distribution requirement</p> <p>Self-dealing rules tax apply – restrict financial transaction with or for benefit of related persons</p> <p>Excess business holding rules apply (20% limit on holding closely held stock)</p> <p>Taxable expenditure rules apply</p> <p>Jeopardy investment rules apply</p> <p>May not lobby or expend funds on lobbying</p>

	Donor Advised Fund (DAF)	Supporting Organization (SO)	Private Foundation (PF)
Documents Required for Establishment	Simple fund agreement prepared by GCF	Articles of Incorporation and Code of Regulations. Must be organized in support of the Greater Cincinnati Foundation's broad charitable purpose IRS exemption application along with organizational documents must be filed with the IRS to obtain 501(c)(3) tax exempt and public charity status. Must register as charity with Ohio Attorney General.	Articles of Incorporation and Code of Regulations. IRS exemption application along with organizational documents must be filed with the IRS to obtain 501(c)(3) tax exempt status. Must register as a charity with Ohio Attorney General
Primary Advantages	Simplicity Maximum tax deduction No taxes Low costs Not subject to PF restrictions (except for excess business holdings)	Maximum tax deductions Substantial donor and family influence and more involvement in management activities than DAF No taxes No PF restrictions	Maximum donor control Family involvement and potential employment (for reasonable compensation) May directly conduct charitable activities
Primary Disadvantages	Least amount of donor control Limited to finding public charities; may not directly conduct charitable activities	Less donor control than PF	Tax deduction limits Tax on investment income Costs Time Complexity PF restrictions

This chart is for illustration purposes and does not constitute tax or legal advice. Please contact your own tax, legal or other professional advisor. For more information, contact a member of GCF's team at 513-241-2880