

# Community Foundation vs Private Foundation

ATTRIBUTES	PRIVATE FOUNDATION	DONOR ADVISED FUND AT CFHZ
Start-up Cost	Legal and accounting incorporation costs	None
Ease and Cost of Establishment	Formation of corporation or trust required. Must apply for IRS tax exempt status. Legal and application expenses incurred.	Signed Fund Agreement. Simple, no cost.
Minimum Assets to Establish Fund	Varies - \$10 million recommended to justify operating expenses. (Generally, private foundations of under \$1 million have average costs of 4.8% of assets and those of \$1-10 million have average costs of 3% of assets.)	No minimum required
Time Frame	Generally 2-3 months depending on the IRS turnaround time	Immediate – within 24 hours
Tax Status	501 (c)(3) private foundation	The Community Foundation is a 501 (c)(3) and 509(a)(1) public charity.
Excise Tax on Investment Income	Yes	None
Separate annual IRS tax return required	Yes	No
Tax Treatment of Cash Gifts	Up to 30% AGI	Up to 60% of AGI
Tax Treatment of Publicly Traded Securities	FMV of up to 20% AGI	FMV of up to 30% AGI
Tax Treatment of Real Estate & Closely Held Stock	Cost Basis Deduction	Fair Market Value Deduction
Administrative Services	Responsible for accounting, all record keeping, tax returns, grant programs, and costs thereof.	All services are covered by a 1% annual administration fee.

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Investment Management	Responsibility of trustees, professional advisors and hired staff – Must divest closely held stock within 5 years or investment will be taxed.	Professional investment management and oversight. Will also work with external wealth managers for funds with a balance >=\$500,000
Grant Support	Trustees or hired staff operate grant programs	Access to CFHZ professional staff available to help you identify and assess local grantees and provide input on current local community needs. If donor wishes and dependent on fund size, CFHZ staff will help to identify, assess, investigate, distribute, and monitor grants.
Liability and Insurance	Must be purchased separately.	Covered by CFHZ liability and office insurance policies.
Annual Minimum Distribution Requirements	5% of assets	None
Donor Involvement	Donor appoints board, which controls investments and grant-making.	Follows Fund Agreement as established by the donor to meet their customized needs.
Donor Scope of Responsibility	Legal accountability	Advisory
Possibility of Family Involvement, during and beyond lifetime	Yes	Yes
Anonymity	Donors are named publicly on the private foundation's tax return.	Donors may remain anonymous if they choose to do so.
Primary Advantages	Control, independence	Maximum tax deduction, low cost, no required annual payout, nonprofit knowledge, flexibility, simplicity. Anonymity if desired.



community foundation  
**Holland/Zeeland Area**

Contact **Colleen Hill, VP of Development & Donor Services** at [chill@cfhz.org](mailto:chill@cfhz.org) or **(616) 994-8853** to learn more about the Community Foundation of Holland Zeeland various types of funds. The Community Foundation always encourages donors to discuss all financial decisions with a financial/professional advisor.