

Comparison of Establishing and Managing a Donor Advised Fund vs. Private Foundation

Along with your company's decision to pledge equity or cash to support your corporate charitable vision, it is important to consider which philanthropic vehicle will best serve that vision and be the most cost and time efficient. Companies often elect to open either a Donor Advised Fund or an Independent Private Foundation to help meet their philanthropic goals. To help you determine which charitable vehicle is better suited for you, the following chart summarizes key considerations when deciding between a Donor Advised Fund or Private Foundation such as cost, timing, resources required and flexibility. Please note that Tides does not offer independent Private Foundation setup or management services for Pledge 1%.

Tides Donor Advised Fund		Private Foundation *
General		
Seed Value	<ul style="list-style-type: none"> Tides minimum ≥\$100,000 	<ul style="list-style-type: none"> Recommended Private Foundation Start Value: \$1-10 million Minimum recommended amount: \$250,000 for management firm
Corporate Income Tax Deductions for Gifts **		
Tax Deduction for Cash or Publicly Traded Stock Gifts	<ul style="list-style-type: none"> <i>Individual:</i> Up to 50% of Adjusted Gross Income <i>Corporation:</i> Up to 10% of Taxable Income 	<ul style="list-style-type: none"> <i>Individual:</i> Limited to 30% of Adjusted Gross Income <i>Corporation:</i> Limited to 10% of Taxable Income
Tax Deduction for Other Long Term Capital Gain Equity/ Property Gifts	<ul style="list-style-type: none"> <i>Individual:</i> Generally fair market value up to 30% of Donor's Adjusted Gross Income <i>Corporation:</i> Up to 10% of Taxable Income 	<ul style="list-style-type: none"> <i>Individual:</i> Fair market value up to 20% of Donor's Adjusted Gross Income <i>Corporation:</i> Up to 10% of Taxable Income
Initial Setup Costs		
Initial and One-Time Startup Costs	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Legal, accounting, and filing fees for incorporation and registration can be as low as \$5,000 but more often are \$10,000-\$25,000. Form 1023 \$850 fee for IRS tax exemption application, plus preparation costs.
Annual Expected Costs		
Average Annualized Administrative Costs to Factor In	<ul style="list-style-type: none"> 1.25% on all contributions to fund Or invested account option: <ul style="list-style-type: none"> 1.00% on first \$500K 0.75% on the next \$500K 0.50% on the next \$4M 0.25% of any amount over \$5M 	<ul style="list-style-type: none"> The barebones fee of a private foundation for basic support services is \$4,500 + 0.45% of assets, not including grantmaking, investment, and audit fees. Or outsourced service fees including: <ul style="list-style-type: none"> Annual accounting services can cost \$25,000 and can vary widely depending on foundation size; Grantmaking services fees that can vary widely depending on the complexity and volume of grants desired and the location of the grantees; \$10,000-\$20,000 annual fee for services to complete foundation's annual IRS form 990-PF. Cost of foundation's office space should be considered.
Investment Costs	<ul style="list-style-type: none"> Investment Manager Fee: 0.35% of invested balance 	<ul style="list-style-type: none"> Foundation's Board has fiduciary obligation to oversee and prudently invest assets or hire investment management services.

*Private foundation data is summarized from available public sources

** General rules only - consult your tax advisor to determine how these general rules would be applied in your case

Tides Donor Advised Fund

Private Foundation

Annual Expected Costs (Continued)

Audit Fees and Requirements	<ul style="list-style-type: none"> DAF is audited as a part of Tides - no additional fee is charged 	<ul style="list-style-type: none"> Private foundation audit fees vary depending on complexity and size of the foundation but often range from \$20,000-\$75,000. Note: Foundations face specific state-by-state audit requirements.
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Additional Issues

Expected Timing for Tax Exempt Status	<ul style="list-style-type: none"> 2-3 week application process 	<ul style="list-style-type: none"> Generally 7 to 45 days for initial foundation set-up 4-12 months after submission of Form 1023 until formal tax-exemption (<i>Note: if granted, the determination of 501(c)(3) status is retroactive to the date of incorporation so many foundations begin accepting funds and making grants upon inception, though at some risk</i>)
Required Payout, Per IRS Guidelines	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Requirement to distribute at least 5% of net assets annually (administrative expenses and some advisory fees may be included in the 5% payout)
Excise Tax on Investment Income	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> 1-2% of net investment income
Separate/Additional Taxation Forms	<ul style="list-style-type: none"> No additional filings are required once the fund is established 	<ul style="list-style-type: none"> Form 1023 for tax-exempt status (<i>one-time</i>) Form 990-PF filing with IRS (<i>annual</i>) Form 990-T for Unrelated Business Income (<i>annual if applicable</i>) External audit (<i>requirements vary state-by-state</i>) Annual financial and expense reporting for tax records

Miscellaneous

Fund Control	<ul style="list-style-type: none"> Subject to variance power, but donor may advise and make recommendations to Tides for the distribution of grants. Investment choices often limited to pre-selected investment vehicles. 	<ul style="list-style-type: none"> Donor may have a higher level of control over the grant making process and investment decisions/allocations depending on their desired level of engagement.
Payment of Expenses	<ul style="list-style-type: none"> Direct costs associated with DAF's charitable purpose such as travel, board meetings, site-visits, and certain event tickets/attendance are generally impermissible. Payments to Consultants and other support services to the fund may be permitted. 	<ul style="list-style-type: none"> Direct costs associated with advancing the foundation's work such as travel, board meetings, site-visits, and event tickets/attendance fees may be reimbursed subject to self-dealing rules.
Compensation of Board Members	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> Permitted but rare, in accordance with reasonable compensation guidelines.
Liability and Insurance	<ul style="list-style-type: none"> Covered by Tides 	<ul style="list-style-type: none"> Must purchase or cover foundation with liability insurance as well as cover separate officer/employee insurance.
Privacy	<ul style="list-style-type: none"> Tides protects donors' privacy and ensures anonymity, if desired. 	<ul style="list-style-type: none"> More restrictive in terms of anonymity due to IRS filing requirements—donor information to a private foundation is public information.