Lincoln Community FOUNDATION

A COMPARISON OF DONOR ADVISED FUNDS AND PRIVATE FOUNDATIONS

	Donor Advised Fund at Lincoln Community Foundation	Private Foundation
Steps to Organize	A fund agreement is entered into between Lincoln Community Foundation and the donor to document the donor's intent. No cost to donor from Lincoln Community Foundation	Must form a new legal entity, either corporation or trust. A nonprofit corporation is created by filing with the Nebraska Secretary of State. Must apply for IRS exempt status (Form 1023). Legal and accounting fees.
Ongoing Reporting Requirements	No ongoing reporting requirements for DAF. Included in Lincoln Community Foundation's annual 990.	Annual 990-PF filing requirements with IRS. Must also file biennial report and pay a small fee with Nebraska Secretary of State.
Tax deduction limit – cash gifts	60% of adjusted gross income	30% of adjusted gross income
Tax deduction limit – publicly traded securities	30% of adjusted gross income (Deduction available for full value.)	20% of adjusted gross income (Deduction available for full value.)
Tax deduction limit – other appreciated property (real estate, closely-held stock)	30% of adjusted gross income; tax deduction available for full market value.	20% of adjusted gross income; tax deduction for real property is limited to the lower of cost basis or fair market value.
Tax on investment income.	None	Up to 2% excise tax on net investment income.
Donor decisions about grants.	Donor recommends distributions. Lincoln Community Foundation has final decision.	PF's board can direct distributions.
Family involvement in future gifts.	Donor can designate successor advisors to DAF.	Board of directors of PF can continue family involvement indefinitely.
Public disclosure/Privacy	Gifts can be made anonymously or be recognized through a named fund.	Annual IRS tax reports must be open for public inspection, making all grants public.
Payment requirements	No mandatory distributions. LCF encourages donors to use fund regularly in furtherance of their charitable goals.	Mandatory payout for charitable purposes of 5% of asset value (regardless of annual income).
Community knowledge and opportunities	LCF works closely with the community non-profit organizations and can identify needs and opportunities consistent with donor's areas of interest. LCF can present opportunities to combine with other gifts for greater impact.	Foundation must rely on its own volunteers or paid consultants or staff to develop expertise on areas of need.
Self-dealing rules	Penalties on excess benefit to disqualified persons.	Prohibitions on most self-dealing transactions.
Flexibility in future	Fund can continue as per donor's instructions if successor advisors lose interest or die.	If family members all die or lose interest, reasons for family foundation may cease to exist. May become difficult to reach consensus about distribution. Expenses to dissolve the entity.