

PRIVATE FOUNDATIONS VS. COMMUNITY FOUNDATIONS

	<u>Private Foundations</u>	<u>Community Foundations</u>
<i>Legal status</i>	Independent organization 501(c)(3) tax exempt corporation or trust	A Donor-Advised Fund within an existing Community Foundation 501(c)(3) tax exempt organization
<i>Initial gift</i>	Establish a new entity requiring legal filings, board of directors, and administration; may take several months	Entity already exists and has experience; paperwork can be completed in one day
<i>Practical minimum asset size</i>	Substantial assets, probably over \$1 million	\$10,000 Endowment Fund \$25,000 Non-Permanent Fund <i>(specific to CFMD)</i>
<i>Distribution rules</i>	Minimum annual charitable distribution – 5% of net investment assets	No minimum distribution requirements
<i>Investment restrictions</i>	Cannot own more than 20% of stock in a business	No limitations on control of a business
<i>Annual IRS reporting</i>	IRS information return (Form 990 PF)	No annual reporting requirements
<i>Investment income tax</i>	Pay 1% to 2% tax on net investment income	No tax on investment income
<i>Cost</i>	Can result in significant cost to client	Simple, and at no cost, to donor