

Comparing Charitable Options



		DONOR ADVISED FUNDS	FISCAL SPONSORSHIP	SUPPORTING ORGANIZATION*	PRIVATE FOUNDATION
Overview	Definition	Charitable giving vehicle administered by a charity, created to manage charitable donations and grantmaking on behalf of individuals, families or organizations.	A contractual relationship that allows a person, group, or business to advance charitable activities, benefitting from the sponsor organization’s tax-exempt status. Projects can include a wide variety of administrative activities such as hiring personnel, launching fundraising campaigns, and paying vendor expenses.	A nonprofit organization created as an affiliate of a supported organization. While it maintains its own tax ID number, the supporting organization is covered under the supported organization’s tax-exempt status.	An independently organized nonprofit organization, created to support an individual, family or organization’s philanthropy or estate planning.
	Best option for	Flexibility and efficiency in pursuing a range of philanthropic goals through a single giving vehicle – with immediate tax advantages for most donors.	New, experimental, incubating projects requiring administrative and financial management support.	Incubating independently organized nonprofit organizations or for those seeking active involvement in their giving – without the associated costs, taxes, and legal and administrative obligations of a private foundation.	Philanthropists wishing to retain full legal, administrative and financial control over their charitable activities and involve their families and multiple successor generations.
Start-Up	Start-up considerations	Established through a simple agreement and the donation of an establishing gift; can be set up quickly.	Created through a fiscal sponsorship agreement with the sponsoring organization, which may include proposal submission. Can be set up quickly.	Must apply for tax exempt status as a 509(a) public charity. Can take several months, with the applicant bearing start-up costs and legal fees.	Must apply to IRS for tax-exempt status. Typically requires a significant investment, including substantial legal and administrative fees. Can take several months to establish.
Governance, Control and Privacy	Control	Assets contributed are legally under the control of the receiving charity or fund sponsor. However, donors can recommend grants and investment management approaches for the donated assets.	The sponsoring organization has ultimate control, but much of the authority is often delegated to the advisory committee and project director.	Depending on the type (1, 2 or 3) of supporting organization, the donor may recommend members to the board of directors; however, the supported organization exercises ultimate control. Board of directors makes all grants. Often, the board will establish customized grantmaking and operational policies that are important to the donor.	Donor appoints all members of the governing board of directors. Donor retains complete control over investments and grantmaking, subject to IRS requirements.
	Privacy	Names of donors can be kept confidential. Grants can be made anonymously.	Project income and expenditures are listed in Form 990.	Officers, directors and trustees are listed in Form 990.	Must file detailed and public tax returns on grants, investment fees, trustee names, staff salaries, and identification of major donors within Form 990-PF.
	Intergeneration transfer	Most sponsors allow for donors to appoint successors for one or two generations, after which the funds must be disbursed.	Not typically. Fiscal sponsorships are primarily in support of a particular charitable project and are not often utilized for legacy planning purposes.	Yes. At the discretion of the board, the supporting organization can support the family’s philanthropy for unlimited generations.	Yes. At the discretion of the board, the financial and legal control of a foundation can remain within a family for unlimited generations.
Tax Advantages of Contributions	Tax deduction of cash gifts	Immediate deduction of up to 60% of adjusted gross income.	Immediate deduction of up to 60% of adjusted gross income.	Immediate deduction of up to 60% of adjusted gross income.	Immediate deduction up to 30% of adjusted gross income.
	Tax deduction for long-term, publicly traded appreciated securities	Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.	Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.	Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.	Immediate deduction of fair market value, up to 20% of adjusted gross income.
	Tax deduction for other long-term capital assets	Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.	Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.	Immediate deduction of fair market value of assets, up to 30% of adjusted gross income.	Immediate deduction of cost basis of assets, up to 20% of adjusted gross income.
	Total limit for all annual contributions combined	Up to 60% of adjusted gross income.	Up to 60% of adjusted gross income.	Up to 60% of adjusted gross income.	Up to 30% of adjusted gross income.
Grantmaking	Minimum grant distributions	Not required by the IRS. However, many sponsors require a minimum amount of grantmaking each year to consider the fund “active.”	None.	None.	Annual distribution of 5% of the fair market value of assets.
	Eligible grant recipients	IRS-qualified public charities. Some sponsors also allow for grants to for-profit companies running charitable projects and international non-governmental organizations that meet IRS requirements.	IRS-qualified public charities. Some sponsors also allow for grants to for-profit companies running charitable projects and international non-governmental organizations that meet IRS requirements.	IRS-qualified public charities. Some supported organizations also allow for grants to international non-governmental organizations that meet IRS requirements.	IRS-qualified public charities, for-profit companies running charitable projects and international non-governmental organizations that meet IRS requirements. A foundation may also make grants directly to individuals or families as long as the grants meet IRS criteria.
Other Administrative and Tax Considerations	Administrative responsibilities	None.	Progress reports submitted to the sponsor. Sponsor files the annual tax return and reporting.	Generally, Form 990 filing and audit are completed under the umbrella of the supported organization.	Manage all financial and administrative activities, hire staff, file annual tax return and reporting.
	Self-dealing restrictions	Yes.	Yes.	Yes.	Yes.
	Subject to excise taxes	Only under specific, limited conditions.	Only under specific, limited conditions.	Only under specific, limited conditions.	Yes. 1.39% of net investment income annually.
	Excess business holding restrictions	Yes.	Yes.	Yes.	Yes.

* Information presented here about supporting organizations pertains to Type 1 Supporting Organizations, as defined by the IRS.

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