

The Catholic Diocese of Arlington Foundation vs. Private Foundation

Donors enjoy virtually the same benefits that would accrue to a private foundation, but without the onerous reporting and spending requirements. A comparison follows:

Issue	Donor Advised Fund at The CDA Foundation	Private Foundation
Creating the Foundation	Established at TCDAF by a simple agreement	Nonprofit corporation or trust organized as a private foundation
Tax Exempt Status	Shares the public charity tax exempt status as a “component” of TCDAF	Must apply for private foundation tax exempt status from the IRS
Start-up Costs	No cost to donor	Similar to a corporate start-up requiring substantial legal, accounting, and operational start-up costs
Recommended Size	\$25,000 or more (\$10,000 minimum)	Generally \$2-\$5 million to justify start-up costs
Charitable Deductions for Cash Gifts	Tax deduction of up to 50% of adjusted gross income	Tax deduction of up to 30% of adjusted gross income
Charitable Deductions for Appreciated Property	Tax deduction available for full fair market value of marketable securities and other property Tax deduction available up to 30% of adjusted gross income	Tax deduction may be taken for fair market value of marketable securities. Generally, tax deduction for other property is limited to the lower of cost or fair market value Tax deduction available up to 20% of adjusted gross income
Donor Control	Donor makes advisory grant recommendations – final decisions rest with TCDAF’s Trustees	Private Foundation’s Trustees or Directors retain complete control over investments and grantmaking, subject to IRS requirements
Self-Dealing Rules	Private foundation self-dealing rules do not apply	Strict regulations prohibit most transactions between private foundation and its donors (including related persons or organizations)
Payout Requirements	Do not apply	Must pay out for charitable purposes at least 5% of its asset value annually, regardless of its income
Administration	Services provided by TCDAF	Must establish and/or obtain these services
Operational and Grantmaking Guidance	TCDAF staff available to consult with client and research charities	Little to no assistance available
Annual Costs	Minimal	Can be costly but varies according to size and complexity of the foundation

Annual Taxes	Generally no tax on investment income	Subject to an excise tax of up to 2% of net investment gain, including net capital gains and income
Annual Tax Filing & Return (990 Report)	Not required (reported as part of TCDAF's annual reporting)	Must be filed by the private foundation with required reporting schedules
Investments	Fund assets are professionally invested through TCDAF's various options	Must research, secure, and carefully monitor its own investment vehicles
Fiduciary Responsibility	TCDAF fulfills the associated fiduciary responsibility	The private foundation board has fiduciary responsibility
Liability and Risk Insurance	Provided by TCDAFF up to \$10 million	Must be purchased by the private foundation

Donor Advised Fund – Through an agreement with The Catholic Diocese of Arlington Foundation (TCDAF), the fund will be set up and specially named. The fund will be managed and administered by TCDAF, but you will be able to choose fund advisors and advise the Foundation about preferences regarding grant recipients and gift amounts. Distributions will be made in the fund's name, and you will receive annual financial statements. Since the fund is considered part of The Catholic Diocese of Arlington Foundation's holdings, it will receive all related tax exempt benefits.

Private Foundation – A private foundation allows extensive donor control over distributions and board selection. However, private foundations are highly controlled by the government with many special restrictions, including administrative and reporting burdens, excise taxes, and a required minimum payout. In recent years, significant limitations on charitable deductions available for gifts to private foundations have minimized the appeal of this tool.