

# Community Foundation

## FOR SOUTHEAST MICHIGAN

This chart summarizes key differences between the Community Foundation for Southeast Michigan's donor advised funds, supporting organizations to the Community Foundation, and private foundations. Each Community Foundation relationship is tailored to meet the needs of the donor.

	CFSEM Donor Advised Funds	CFSEM Supporting Organizations (Type I)	Private Foundations
Tax Status	Derives "public charity" 501(c)(3) status, and qualifies for 170(b)(1)(A)(vi) "public support" requirements from its relationship with CFSEM.	Derives "public charity" 501(c)(3) status, and qualifies for 170(b)(1)(A)(vi) "public support" requirements from its relationship with CFSEM.	Must apply to IRS for private foundation tax-exempt status. Does not qualify as a "publicly supported" organization.
Startup Costs	None	Costs kept to a minimum through collaboration with CFSEM.	Several thousand dollars for legal and accounting expenses and filing fees.
Startup Time	Immediate – automatically recognized as tax-exempt.	Independent corporation can be formed within a few days. Must file for IRS approval as a tax-exempt entity.	Form independent corporation (or trust). Must file for IRS approval as a tax-exempt entity.
Minimum to Start a Fund	\$10,000	\$5 million or more recommended.	Many advisors suggest \$2 - \$10 million needed to be cost-effective.
Annual Expenses	Approximately .5 percent of assets for administrative fees and up to approximately .5 percent for investment expenses for permanent funds. Administrative fees for nonpermanent funds tiered (1.0 percent or less) based on the size of the fund and investment expenses based on investment pool used by fund.	Fees established based on activities plus actual investment costs. Other services available at actual cost or below-market hourly rates. Directors and officers insurance provided.	Annual tax returns and audit required. Grantmaking and administrative support must be staffed independently. Separate investment and Directors and Officers insurance costs.
Annual Taxes	None	None	Excise tax of up to 2 percent of net investment income, including net capital gains. Other excise taxes may apply if certain annual tests are not met.
Annual Distribution Requirements	None	None	At least 5 percent of net asset value annually.
Maximum Annual Income Tax Deduction <i>cash</i>	Up to <u>50 percent</u> of adjusted gross income. Can rollover excess deduction for the next 5 succeeding years. Note: for all charitable gifts, limits are commonly referred to as being measured against "adjusted gross income." In actuality, they are measured against your "contribution base," which is adjusted gross income computed without regard to any net operating loss carryback to the taxable year.	Up to <u>50 percent</u> of adjusted gross income. Can rollover excess deduction for the next 5 succeeding years.	Up to <u>30 percent</u> of adjusted gross income. Can rollover excess deduction for the next 5 succeeding years.
Maximum Annual Income Tax Deduction <i>appreciated long-term securities</i> (publicly traded)	Fair market value up to <u>30 percent</u> of adjusted gross income.	Fair market value up to <u>30 percent</u> of adjusted gross income.	Fair market value up to <u>20 percent</u> of adjusted gross income.

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	<b>CFSEM Donor Advised Funds</b>	<b>CFSEM Supporting Organizations (Type I)</b>	<b>Private Foundations</b>
Income Tax Deduction <i>long-term real estate &amp; closely held securities</i>	<b>Fair market value</b> up to <u>30 percent</u> of adjusted gross income.	<b>Fair market value</b> up to <u>30 percent</u> of adjusted gross income.	Deductible at <b>cost basis</b> up to <u>20 percent</u> of adjusted gross income.
Grantmaking Support & Due Diligence	Professional staff is available to answer questions, offer suggestions about community needs and the effectiveness of nonprofit organizations, and to meet due diligence requirements. Educational and joint grantmaking programs available.	Professional staff is available to answer questions, offer suggestions about community needs and the effectiveness of nonprofit organizations, and to meet due diligence requirements. Educational and joint grantmaking programs available.	Donors must arrange their own grantmaking and monitoring structure.
Geographic Limitations on Grants	None – grants can be made throughout the United States. When practical, international grants can be made through U.S.-based organizations if certain regulatory requirements are met.	None – grants can be made throughout the United States. When practical, international grants can be made through U.S.-based organizations if certain regulatory requirements are met.	None International grants must be made in compliance with federal regulatory requirements.
Anonymity	Donors may remain anonymous.	Board members listed on tax return. Donors may remain anonymous.	Donors are named on the tax return.
Investment Restrictions	Donors may suggest investment style. Investment decisions made by Trustees. Funds over \$1 million may have separate investment counsel.	Board may exercise complete control over investments, in compliance with federal and state laws. All actions are monitored for self-dealing.	Board may exercise complete control over investments in compliance with federal and state laws. All actions are monitored for self-dealing. The private foundation and those individuals associated with it may be subject to penalty taxes for improper actions.
Grant Recommendations	Advisory privileges over grant recommendations, subject to IRS requirements. Must not result in a personal benefit to any individual, such as payment of a legally enforceable pledge, event tickets or nonprofit memberships that provide a benefit of monetary value.	May appoint minority of governing board of supporting organization. No personal benefits.	Complete control over grantmaking, subject to IRS requirements. Must not result in a personal benefit to any individual, such as payment of a legally enforceable pledge, event tickets or nonprofit memberships that provide a benefit of monetary value.