**Donor-Advised Funds vs. Private Foundation**

Donor-advised funds and private foundations support philanthropy, but they differ in structure, cost, and flexibility. Private foundations offer full control over governance and grantmaking but require significant administrative oversight and compliance with strict IRS regulations. In contrast, community foundations provide a streamlined alternative through donor-advised funds, offering generous tax advantages, lower costs, and expert guidance while relieving donors of the burdens of managing a separate legal entity.

| | Private Foundations | Donor-Advised Funds |
|---|---|---|
| Start-Up Costs | Incorporation & legal fees | None |
| Start-Up Time | Takes several weeks or months | Immediate |
| On-Going Costs | Could be significant to hire all necessary vendors for ongoing fiduciary oversight | 1% annually |
| Anonymity | No | Yes, if desired |
| **Tax Deductions: Percentage Limitations of Adjusted Gross Income *** | | |
| Cash Gifts | 30% | 60% |
| Capital Gain Property | 20% | 30% |
| Carry-Over Available | Yes | Yes |
| **Amount Deductible (Subject to Percentage Limitations)** | | |
| Capital Gain on Publicly Traded Stock | Fair market value | Fair market value |
| Other Capital Gain Property | Cost basis | Fair market value |
| **Operational Requirements** | | |
| Excise Tax on Investment Income | Yes | No |
| Minimum Payout Requirement | Yes | No |
| Restrictions on “Self-Dealing” | Yes | No |
| Restriction on Holding Interests in Businesses | Yes | No |
| Expenditure Responsibility for Grants to Non-Public Charities | Yes | Yes |
| Restrictions on Scholarship and Research Grants | Yes | Yes - but much less |
| Family Involvement | Board governance and potential employment | Advisory roles for family members |
| Possibility of Legal Control in Grantmaking | Yes | No |
| **Administrative Responsibilities** | | |
| Management | Manage assets, keep records, select charities, administer grants, file federal and state tax return, maintain board minutes, etc. | Managed entirely by LACF |
| Separate Tax Return Required | Yes | No |
| Separate Account Statements Required | Yes | No |
| Ongoing Governance Duties | Yes - Needs own BOD | No - LACF's BOD covers |

*assumes donor’s income allows for the full deductions and that the alternative minimum tax is not triggered. Under the One Big Beautiful Bill Act, itemized charitable deductions are allowed only to the extent total annual contributions exceed 0.5% of the donor’s AGI.