

why CHOOSE Donor-Advised Funds

Comparisons	Donor-Advised Fund	Private Foundation
Time Frame	Immediate	Several months
Tax Status	Covered under Waco Foundation's (WF) public charity status	Must apply for private foundation tax exempt status from the IRS
Start-up Costs	None	Several thousand dollars for legal and accounting expenses and filing fees
Minimum Contribution	None	Not cost-effective unless \$8M or more
Tax Deductions for Gifts of:		
Cash	Up to 50% of adjusted gross income	Up to 30% of adjusted gross income
Publicly Traded Securities	Fair market value up to 30% of adjusted gross income	Fair market value up to 20% of adjusted gross income
Real Estate & Closely Held Securities	Fair market value up to 30% of adjusted gross income	Deductible at cost basis
Donor Control	Donor makes advisory grant recommendations; final decisions rest with WF's Board of Trustees	Donor retains 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 a 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
Administrative Concerns (personnel, facility, gift and grant managing)	Services provided by WF	Must establish and/or obtain these services for fees
Annual Costs	.75% annually	Grantmaking, administrative and investment costs
Annual Taxes	None	Excise tax of 2% of net investment income, including net capital gains
Reporting Requirements	None (reported as a part of WF's annual reporting)	Annual tax return, including detailed financial schedules
Liability & Risk Insurance	Provided by WF	Must be assumed by the private foundation
Fiduciary Responsibility	WF fulfills the associated fiduciary responsibilities	The private foundation board has fiduciary responsibility
Investments	Large endowment investment options made available to small balance funds Fund assets are professionally invested through Colonial Consulting, L.L.C. 12.3% annual return for endowed funds (3rd QTR 2013)	Must research, secure and carefully monitor its own investment vehicles