



Comparing Your Options

Donor Advised Funds vs. Private Foundations

When exploring structures that support your strategic giving options, it is helpful to be aware of the similarities and differences between various providers. In addition to start-up costs and administrative requirements, tax reporting and resource needs, the Calgary Foundation can educate you about leading community issues, and help you navigate complex issues like multigenerational giving.

Items to consider:	Donor Advised Fund at Calgary Foundation (CF)	Donor Advised Fund at or through a Financial Institution	Private Foundation
Background	<p>National network of 191 local community foundations, created by and for their communities. Work in collaboration with local charities.</p> <p>Community Foundations pioneered national donor advised funds (DAFs) in Canada, establishing first DAF in 1952.</p>	<p>Led by financial institutions and investment firms, occasionally with a registered charitable partner.</p> <p>First established in 1991 by Fidelity Charitable Gift Fund, USA.</p> <p>Launched in Canada in 2002.</p>	<p>As of 2016, there were 10,644 active foundations in Canada, of which 5,556 are private foundations.</p>
Administrative Requirements	None.	Some institutions charge set-up or consulting fees.	Legal expenses for establishing charitable objects and registration filing can be \$5 - \$10,000. Accounting costs can vary depending on complexity of tax planning.
1. <i>Start-up costs</i>			
2. <i>Minimum contribution</i>	\$10,000 minimum, although CF allows multiple deposits to reach Fund minimum.	Varies from \$10,000 to \$250,000.	No mandated minimum but current expert opinion varies for seed capital at \$5-million.
3. <i>Ongoing costs</i>	Pooled administration provides economy of scale, resulting in cost recovery ranging from 0.80% to 1.25% based on a tiered structure (Policy subject to Board changes).	Program & administrative fees are variable from 0.75% - 2.0% Additional fees may be charged for grant making, reporting, trailer fees and investment advisor compensation.	Typically, administrative fees vary from 0.75% to 1.50% of assets, not including investment management fees, and depending on size and staffing.
4. <i>CRA Reporting</i>	CF handles reporting.	Financial institution administering gift funds handle reporting.	Accountant, lawyer or staff person handles reporting.
Governance	Arm's length board of directors and committees comprised of cross section of local community leaders, with diverse and complementary skill sets.	Board membership of the financial institution varies, but generally includes members of financial institutions senior staff and board of directors.	<p>Board of directors comprised of trustees/directors initially chosen by donor who established the private foundation.</p> <p>A private foundation is not required to have most of its board members at arm's length.</p>
Tax Status	<p>CF is a registered charity - public foundation.</p> <p>Individual donor advised funds are not registered separately.</p>	<p>Institution sets up a separate registered charity - public foundation.</p> <p>Individual donor advised funds are not registered separately.</p>	Registered charity - private foundation.

<p>Donor Involvement</p>	<p>Donor can recommend grants to any registered charity or other <i>qualified donee</i> as defined by Canada Revenue Agency (CRA). Grants are approved by CF's board of directors.</p>	<p>Donor can recommend grants to any registered charity or other qualified donee as defined by Canada Revenue Agency (CRA). Grants are approved by trustees of the gift fund.</p>	<p>Grants are made to any registered charity or other qualified donee as defined by Canada Revenue Agency (CRA). Donor appoints board of directors, which controls investments and grantmaking.</p>
<p>Family Engagement</p>	<p>Donor can name Fund for family or other loved ones. Can involve family in process and appoint successors to advise on Fund in next two generations on death.</p> <p>CF can help donors develop focus and process for their strategic giving.</p> <p>Families may be involved in high-impact community leadership initiatives, charitable events, and site visits as desired.</p>	<p>Donor can name fund for family or other loved ones.</p> <p>Treatment of fund after death varies.</p>	<p>Donor can name foundation for family or other loved one and involve family in process.</p>
<p>Donor Options</p>	<p>Work with local experts in philanthropic administration and grantmaking to choose from wide variety of Funds.</p> <p>Gift agreements could take as little as 24 hours to complete.</p> <p>Giving and granting tailored to individual's needs and goals.</p> <p>Can coordinate giving and support all <i>qualified donees</i> as defined by CRA.</p>	<p>Usually one fund offered with several investment options.</p> <p>Gift agreements could take as little as 24 hours to complete.</p> <p>Can coordinate giving. Some limits on number of grants per gift.</p>	<p>Donor sets up foundation according to his/her wishes.</p> <p>Set up of foundation can take 6 to 12 months.</p> <p>Can coordinate giving and support all qualified donees as defined by CRA.</p>
<p>Tax Considerations</p> <p>1. <i>Tax credit</i></p> <p>2. <i>Appreciated Publicly Listed Securities</i></p> <p>3. <i>Private company shares stock</i></p>	<p>Tax receipts issued for the full amount of the fair market value of the gift. Donors can claim credit to a maximum of 75% of their net income. Excess can be claimed in any of the next five years.</p> <p>Tax receipts for estate gifts are issued at the time the gift is made, not valued upon the date of death of the donor. Other estate rules also apply.</p> <p>Capital gains tax is eliminated on qualifying securities.</p> <p>Tax savings may be deferred.</p> <p>Donation receipt dependent on appraised fair market value of shares and upon monetization of shares.</p>	<p>Tax receipts issued for the full amount of the fair market value of the gift. Donors can claim credit to a maximum of 75% of their net income. Excess can be claimed in any of the next five years.</p> <p>Tax receipts for estate gifts are issued at the time the gift is made, not valued upon the date of death of the donor. Other estate rules also apply.</p> <p>Capital gains tax is eliminated on qualifying securities.</p> <p>Tax savings may be deferred.</p> <p>Donation receipt dependent on appraised fair market value of shares and upon monetization of shares.</p>	<p>Tax receipts issued for the full amount of the fair market value of the gift. Donors can claim credit to a maximum of 75% of their net income. Excess can be claimed in any of the next five years.</p> <p>Tax receipts for estate gifts are issued at the time the gift is made, not valued upon the date of death of the donor. Other estate rules also apply.</p> <p>Capital gains tax is eliminated on qualifying securities.</p> <p>Tax savings are deferred and may be denied. Donation receipt can only be issued at time of disposition which must be within five years.</p>

Items to consider:	Donor Advised Fund at Calgary Foundation (CF)	Commercial Donor Advised Fund	Private Foundation
Grantmaking Support	<p>Professional staff and board of community leaders can help identify and assess local grantees, provide input on changing community needs, and verify charitable status.</p> <p>CF makes grant distributions and requests impact reporting.</p> <p>Understanding of needs and connections in community creates opportunities for innovative work on pressing issues.</p>	<p>Variable community knowledge. Some offer access to third party research providers for a fee.</p> <p>Registered charitable partner/ foundation makes grant payments and reports to donor.</p>	<p>Foundation board and/or staff arrange and support grantmaking and monitoring structure.</p> <p>Foundation can adopt innovative approach to grant making, based on foundation's chosen mandate.</p> <p>May have grants expert on staff within foundation's area of interest.</p>
Investment Management	<p>CF board sets investment policy</p> <p>CF's investment committee, supported by a VP CIO, is made up of volunteer investment and finance professionals to support the board with fiduciary responsibility of the investable assets.</p>	<p>Participating financial institution sets investment policy in conjunction with public foundation.</p> <p>Financial institution's investment arm typically manages the funds.</p> <p>Some allow third-party investment managers</p>	<p>Trustees/directors set the investment policy.</p> <p>Trustees/directors manage the funds directly or hire professional investment managers and monitor their performance.</p>



Since 1955, the Calgary Foundation has been nurturing a healthy, vibrant, giving and caring community that values diversity and supports all people. We build a community where citizens are engaged, and where a strong and sustainable charitable sector serves the current and emerging needs of the community.