

FUND TYPE COMPARISON CHART

The Community Foundation offers a personal, local and flexible approach to giving. We match donors with community causes they care deeply about and offer extensive knowledge about local charitable organizations and emerging community needs. Our giving experts have created this comparison chart to help donors make informed decisions about giving. For more information about establishing a fund at the Community Foundation, contact Ashley Canney at 515-244-0020 or acanney@desmoinesfoundation.org.

| | Private Foundations | Donor Advised Fund at the Community Foundation of Greater Des Moines (CF) | Commercial Gift Fund (CGF) |
|--|---|---|--|
| Establishing a Fund | <ul style="list-style-type: none"> No minimum required. Must secure tax exempt status using Form 1023 (may take six months or longer to process). Does not qualify for Endow Iowa Tax Credits. | <ul style="list-style-type: none"> \$10,000 minimum. Utilizes existing CF tax exempt status. Donors to Endow Iowa qualified funds are eligible to receive a 20% Iowa tax credit in addition to normal state and federal deductions. | <ul style="list-style-type: none"> \$5,000 - \$25,000 minimum. Utilizes CGF tax exempt status. Does not qualify for Endow Iowa Tax Credits. |
| Governance | <ul style="list-style-type: none"> Independent corporation with its own Board of Directors. Board maintains legal control of assets. Board determines grants. | <ul style="list-style-type: none"> CF Board of Directors. Assets become legal property of CF. Donors recommend grants from their funds. | <ul style="list-style-type: none"> Board at CGF headquarters. Assets become legal property of CGF. Donors recommend grants from their funds. |
| Administration | <ul style="list-style-type: none"> Independent infrastructure created and overseen by Board. All costs including payroll, audit, compliance, legal, etc., are the responsibility of the foundation. | <ul style="list-style-type: none"> CF handles accounting, audit, due diligence, checking writing, etc. Tiered fee structure from 1% - .25% depending on fund size. | <ul style="list-style-type: none"> Accounting, audit, due diligence, check writing, etc. at CGF. Fees vary. Range from .1% - 2.5%; may include additional financial advisor fees. |
| Investment | <ul style="list-style-type: none"> Investment vehicles selected and overseen by Board. Investment management fees are responsibility of the foundation. | <ul style="list-style-type: none"> CF Pooled Investment Portfolio and money market funds. Investment management fees charged to the fund. Pooled Investment Portfolio average: 1.1%. | <ul style="list-style-type: none"> Multiple investment options, in most cases. Investment management fees charged to the fund; cost varies depending on underlying mutual fund. Range .1% - 3.25%. |
| Funding Limits and Federal Tax Consequences | <ul style="list-style-type: none"> Cash gifts: 30% of adjusted gross income. Capital gain property: 20% of adjusted gross income. Publicly traded securities deductible at current value. Illiquid assets deductible at basis. 2% excise tax on investment income. | <ul style="list-style-type: none"> Cash gifts: 50% of adjusted gross income. Capital gain property: 30% of adjusted gross income. All capital gain property deductible at current value. Illiquid assets tax deductible at current value. No tax on fund's investment income. | <ul style="list-style-type: none"> Cash gifts: 50% of adjusted gross income. Capital gain property: 30% of adjusted gross income. All capital gain property deductible at current value. Some CGFs may accept selected illiquid assets. No tax on fund's investment income. |
| Visibility | <ul style="list-style-type: none"> Issues own grant guidelines and annual reports. Desire for degree of visibility determined by Board. | <ul style="list-style-type: none"> Fund name acknowledged in grant letters (anonymity optional). Limited public disclosure of fund's activities. Fund listed in CF's Report to the Community and Web site (anonymity optional). | <ul style="list-style-type: none"> Fund name acknowledged in grant letters (anonymity optional). Limited public disclosure of fund's activities. |
| Grantmaking Process | <ul style="list-style-type: none"> Subject to screening, evaluation and approval by Board. Annual required minimum payout of 5% of assets. Foundation provides due diligence review of grantees. | <ul style="list-style-type: none"> Donor/Advisor recommends grants; approved by CF Board. Does not require an annual minimum payout. Endow Iowa funds have a maximum 5% payout. CF provides due diligence review of grantees recommended by donor. Option to distribute grants from principal as well as income. Local, personal consultants to work with donors. Opportunities to partner with other donors. | <ul style="list-style-type: none"> Donor/Advisor recommends grants; approved by CGF. May require annual minimum payout of 5% of assets. CGF provides due diligence review of grantees recommended by donor. Most provide option to distribute grants from principal as well as income. |
| Grantmaking Capabilities and Restrictions | <ul style="list-style-type: none"> Determined by Board. Purpose may be changed by future Board. Foundation must determine nonprofit and community needs. | <ul style="list-style-type: none"> Broad flexibility, including national and international charities. Ultimate current and future purpose defined by donor. CF has in-depth knowledge of local nonprofits and community needs. | <ul style="list-style-type: none"> Broad flexibility including national and international charities. Ultimate current and future purpose defined by donor. CGF has limited knowledge of local nonprofits and community needs. |

Fee Comparison Example with Endow Iowa Tax Credits

| | |
|------------------------------------|------------|
| Federal/State Tax Rate | 40% |
| Endow Iowa Tax Credit | 20% |
| Asset returns (net of fees) | 8% |

| | Private Foundation | Fund of Community Foundation | Commercial Fund |
|--|--------------------|------------------------------|------------------|
| <i>Administrative Fees (annual)</i> | \$2,000 | 1% | 0.60% |
| ESTABLISHING A FUND | | | |
| Gross Gift (original out-of-pocket contribution) | \$166,667 | \$250,000 | \$166,667 |
| Federal/State tax savings | (\$66,667) | (\$100,000) | (\$66,667) |
| Endow Iowa Tax Credit (before federal tax effect) | \$0 | (\$50,000) | \$0 |
| Net Cost (effective out-of-pocket contribution) | \$100,000 | \$100,000 | \$100,000 |
| YEAR 1 | | | |
| Gross gift | \$166,667 | \$250,000 | \$166,667 |
| Attorney setup fees | (\$5,000) | \$0 | \$0 |
| Beginning Balance Year 1 | \$161,667 | \$250,000 | \$166,667 |
| Asset returns (net of fees) | \$12,933 | \$20,000 | \$13,333 |
| 2% investment tax | (\$259) | \$0 | \$0 |
| Fees (administrative/professional) | (\$2,000) | (\$2,500) | (\$1,000) |
| Required 5% distribution | (\$8,333) | \$0 | \$0 |
| Optional distribution (5%) | \$0 | (\$12,500) | (\$8,333) |
| Ending Balance Year 1 | \$164,008 | \$255,000 | \$170,667 |
| YEAR 2 | | | |
| Beginning Balance Year 2 | \$164,008 | \$255,000 | \$170,667 |
| Asset returns (net of fees) | \$13,121 | \$20,400 | \$13,653 |
| 2% investment tax | (\$262) | \$0 | \$0 |
| Fees (administrative/professional) | (\$2,000) | (\$2,550) | (\$1,024) |
| Required 5% distribution | (\$8,200) | \$0 | \$0 |
| Optional distribution (5%) | \$0 | (\$12,750) | (\$8,533) |
| Ending Balance Year 2 | \$166,666 | \$260,100 | \$174,763 |
| YEAR 3 | | | |
| Beginning Balance Year 3 | \$166,666 | \$260,100 | \$174,763 |
| Asset returns (net of fees) | \$13,333 | \$20,808 | \$13,981 |
| 2% investment tax | (\$267) | \$0 | \$0 |
| Fees (administrative/professional) | (\$2,000) | (\$2,601) | (\$1,049) |
| Required 5% distribution | (\$8,333) | \$0 | \$0 |
| Optional distribution (5%) | \$0 | (\$13,005) | (\$8,738) |
| Ending Balance Year 3 | \$169,399 | \$265,302 | \$178,957 |
| Total Distributions Years 1-3 | \$24,867 | \$38,255 | \$25,605 |
| ENDING BALANCE PLUS DISTRIBUTIONS YEARS 1-3 | \$194,266 | \$303,557 | \$204,562 |

For more information about establishing a fund at the Community Foundation of Greater Des Moines contact Ashley Canney at 515-244-0020 or acanney@desmoinesfoundation.org.