



HCF Donor Advised Fund

This type of fund provides the donor with the greatest flexibility to meet philanthropic objectives. The donor is given the right to make grants to any non-profit organization [501(c)(3)] in the country in the form of investment income, appreciation and/or the corpus of the fund. Distributions will be made in the fund’s name, and the donor receives quarterly statements. The donor also has the right to name advisors to the fund who can make grants in the fund’s name after the death of the donors.

Private Foundation

A private foundation allows extensive donor control over distributions, board selection and investment management. However, private foundations are highly controlled by the IRS with many special restrictions and regulations, including administrative and reporting burdens, excise taxes and a required minimum payout.

| Comparisons | HCF Donor Advised Fund | Private Foundation |
|---|--|--|
| Creating the Foundation | Established at HCF by a simple agreement | Nonprofit corporation or trust organized as a private foundation |
| Tax Exempt Status | Shares the public charity tax exempt status of HCF, as a “component” of HCF | Must apply for private foundation tax exempt status from the IRS |
| Start-up Costs | No cost to donor | Similar to a corporate start-up requiring substantial legal, accounting, and operational start-up costs |
| Recommended Size | \$50,000 or more | Substantial assets required |
| Charitable Deductions for Cash Gifts | Tax deduction of up to 50% of adjusted gross income (AGI) | Tax deduction of up to 30% of adjusted gross income (AGI) |
| Charitable Deductions for Appreciated Property | Tax deduction available for full fair market value of marketable securities and other property Tax deduction available up to 30% of adjusted gross income (AGI) | Tax deduction may be taken for fair market value of marketable securities up to 20% of AGI. Tax deduction for other property is limited to the <i>lower</i> of cost or fair market value |
| Donor Control | Donor makes advisory grant recommendations; final decisions rest with HCF’s board of directors | Donor retains complete control over investments and grant making, subject to IRS requirements |
| Payout Requirements | Do not apply | Must pay out for charitable purposes at least 5% of its asset value annually, regardless of its income |



As described in this chart, Donor Advised Funds are managed and administered by the Homebuilding Community Foundation.

Homebuilding Community Foundation

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| Comparisons | HCF Donor Advised Fund | Private Foundation |
|--|--|---|
| Administrative Concerns (personnel, facility, gift, and grant managing) | Services provided by HCF | Must establish and/or obtain these services |
| Annual Costs | Minimal | Administration can be costly |
| Annual Taxes | None | Subject to an excise tax of up to 2% of net investment gain, including net capital gains and income |
| Annual Tax Filings and Returns (990 Report) | Not required (reported as part of HCF's annual reporting) | Must be filed by the private foundation with required reporting schedules |
| Investments | Fund assets are professionally invested through HCF's investment program | Must research, secure, and carefully monitor its own investment vehicles |
| Fiduciary Responsibility | HCF fulfills the associated fiduciary responsibilities | The private foundation board has fiduciary responsibility |
| Liability and Risk Insurance | Provided by HCF | Must be purchased by the private foundation |