

# Discover the benefits of working through your community foundation



## COMPARING THREE APPROACHES TO GIVING

| <i>Items to consider</i>           | <b>Community Foundation Fund</b>  | <b>Commercial Donor Advised Fund</b>   | <b>Private Foundation</b>   |
|------------------------------------|---|--|---|
| <b>Background</b>                  | <p>National network of 191 local foundations, created by, and for, their communities. Work in collaboration with local charities.</p> <p>Pioneered Donor Advised funds in Canada establishing first fund in 1952.</p>   | <p>Led by financial institutions and investment firms.</p> <p>Came to Canada in 2004.</p>  | <p>More than 2,300 active foundations in Canada. 85% are family foundations.</p>  |
| <b>Administrative Requirements</b> |   |  |   |
| <i>Start-up costs</i>              | None.   | None.  | Legal and accounting expenses. Filing fees.   |
| <i>Minimum contribution</i>        | Accessible to individuals of more modest means >\$10,000. Some foundations allow several deposits to reach minimum. Minimum depends on individual community foundation.   | Varies from \$10,000 to \$250,000.   | No mandated minimum but expert opinion varies from capital of \$1-million to \$5-million.   |
| <i>Ongoing costs</i>               | Pooled administration provides economy of scale, lowers annual fee to the 0.5% to 1.5% range.   | Fees are variable from .75 to 2%. Additional fees may be charged for grant distribution, reporting and trailer fees and IA compensation. | Administrative fees vary from .75 to 1.5% of assets, depending on size and staffing.  |
| <i>Reporting</i>                   | Community foundation handles reporting.   | Foundation administering commercial gift fund handles reporting.   | Accountant, lawyer or staff person handles reporting.   |
| <b>Governance</b>                  | Arm's length Board of Directors and committees comprised of cross section of local community leaders, with diverse and complimentary skill sets.  | Board membership varies but generally includes members of financial institutions senior staff and board of directors.                    | Board comprised of trustees/directors initially chosen by the donor who established the foundation. More than half of Board may be persons in a non-arm's length relationship with donor. |
| <b>Tax Status</b>                  | Registered charity - Public foundation.   | Registered charity - Public foundation.  | Registered charity - Private foundation.  |
| <b>Donor Involvement</b>           | Donor can recommend grants to qualified non-profit groups. Grants are approved by community foundation board of directors.  | Donor can recommend grants to qualified non-profit groups. Grants are approved by trustees of the gift fund.                             | Donor appoints board, which controls investments and grantmaking.   |
|                                    | <p>Donor can name fund for family or other loved ones. Can involve family in process and appoint successors to advise on fund after death.</p> <p>Local foundation can help donors develop focus and process for their granting.</p> <p>Opportunity for involvement in high-impact community leadership initiatives, foundation events, site visits as desired.</p> | Donor can name fund for family or other loved ones. Treatment of fund after death varies.  | Donor can name foundation for family or other loved one and involve family in process.  |



COMMUNITY  
FOUNDATIONS  
OF CANADA  
all for community.

# Comparing three approaches to giving

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|-------------------------------------|---|---|---|
| <b>Donor Options</b>                | Work with local experts in philanthropic administration and grantmaking to choose from wide variety of funds. Giving and granting tailored to individual's needs and goals.   | Usually one fund offered with several investment options.   | Donor sets up foundation according to his/her wishes.   |
|                                     | Can coordinate giving and support entire range of charities.  | Can coordinate giving. Some limits on number of grants per gift.  | Can coordinate giving and support entire range of charities   |
|                                     | Gift agreements could take as little as 24 hours to complete.   | Gift agreements could take as little as 24 hours to complete.   | Set up of foundation can take 6 to 12 months.   |
| <b>Tax Considerations</b>           |   |   |   |
| <i>Tax Credit</i>                   | Donors can claim credit to a maximum of 75% of their net income. Excess can be claimed in any of the next five years.   | Donors can claim credit to a maximum of 75% of their net income. Excess can be claimed in any of the next five years. | Donors can claim credit to a maximum of 75% of their net income. Excess can be claimed in any of the next five years.                   |
| <i>Appreciated stock</i>            | Capital gains tax is eliminated on qualifying securities.   | Capital gains tax is eliminated on qualifying securities.   | Capital gains tax is eliminated on qualifying securities.   |
| <i>Private company shares stock</i> | Immediate tax savings for most gifts of private company shares.   | Immediate tax savings for most gifts of private company shares.   | Tax savings are deferred and may be denied. Donation receipt can only be issued at time of disposition which must be within five years. |
| <b>Grantmaking Support</b>          | Professional staff and board of community leaders can help identify and assess local grantees, provide input on changing community needs, and verify non-profit status of groups.   | Only Bank of Montreal FG offers local charitable expertise at national level.   | Foundation board and/or staff arrange and support grantmaking and monitoring structure.   |
|                                     | Foundation makes grant payments, monitors performance, reports to donor. Expertise and advice in broad range of granting areas including the arts, health, education, social services, the environment. Understanding of issues and connections in community creates opportunities for innovative work on pressing issues such as poverty. Strong relationships with government bodies, other funders and agencies. | Foundation makes grant payments and reports to donor.   | Foundation can adopt innovative approach to grantmaking, based on foundation's chosen mandate.  |
| <b>Investment Management</b>        | Community foundation board sets investment policy.  | Participating financial institution sets investment policy in conjunction with public foundation.                     | Trustees/directors set the investment policy.   |
|                                     | Investment committee made up of investment and finance professionals who recommend the hiring and termination of investment managers and monitor their performance.   | Financial institution's investment arm manages the funds.   | Trustees/directors manage the funds directly or hire professional investment managers and monitor their performance.                    |

Community means so many things to so many people and the world to us. In all we do, and all we say, we are all for community. We are part of Canada's community foundation movement, represented by 191 community foundations from coast to coast to coast. Community vitality has been our purpose, promise and passion since 1921, when we began connecting donors to community needs and opportunities. Together, we help Canadians invest in building strong and resilient places to live, work and play.