

Partner with the Northwest Minnesota Foundation to Establish your Donor Advised Fund



The **NORTHWEST MINNESOTA FOUNDATION** is your local community foundation. We provide flexible and responsive ways for donors to achieve their charitable goals and have lasting impact on their community.

The **Advantages of establishing a Northwest Minnesota Foundation (NMF) Donor Advised Fund (DAF), instead of establishing a private foundation, offers you greater tax benefits and the elimination of most administrative tasks.**

The following shows the differences:

	Fund at NMF	Maintaining a Private Foundation
Tax Deductibility (Varies by year. Please check with your tax advisor for most recent percentages)	2021: Tax deduction up to 100% of Adjusted Gross Income (AGI) for cash gifts; 30% for long-term appreciated stock/assets. Deductions at fair market value. *formerly Tax deduction of up to 50% of Adjusted Gross Income (AGI) for cash gifts; 30% for long-term appreciated stock/assets. Deductions at fair market value.	Tax deduction of up to 30% of AGI for cash gifts; 20% for appreciated stock. Deductions limited to cost basis only in some instances- real estate, closely held stock, etc.
Privacy	Fund assets and grant activity is confidential, known only to the fund's advisors and select NMF staff and Board.	Foundation is required to file detailed annual IRS 990F on all assets, contributions, and grants. These are public records available for public inspection and review.
Initial Cost	NO set up fees. Administrative fees each year, along with a 5% gift to NMF for gifts given.	IRS Application fees plus legal fees to establish the fund.
Asset Size	Only \$10,000 to open and maintain a fund.	Requires substantial assets to be cost effective (recommended \$1 million to start).
Incorporation and tax exemption	Automatically covered by NMF. Minimal start-up expenses incurred.	Must apply for incorporation, tax exemption, will incur legal and other start-up expenses.
Excise taxes	No excise taxes imposed.	Excise tax of 1-2% of annual net investment income, including net realized capital gains.
Annual IRS tax returns	NMF provides this service under its 990 filing (component fund).	A private foundation must file an annual tax return.
Required payout	No required payout. Can accumulate income while grant decisions are being considered.	5% of asset value required to payout annually, whether the foundation's assets earn 5%.
Investment, accounting, audit and tax returns	NMF handles all investment and accounting, files annual tax return and provides annual independent audit under its umbrella.	Foundation's Trustees must perform, contract, or hire staff for these services.
Grant administration	NMF can identify potential recipients and investigates applicants, makes grant payments, and monitors grantee performance.	Foundation's Trustees must perform, contract of hire staff for these services.
Recognition	Donors can receive recognition for their grants or remain anonymous – whichever they prefer.	Donor can receive recognition for grants. It is difficult to remain anonymous. Trustees or staff must seek their own public recognition.