

Factors to Consider	Creating a Charitable Gift Fund With Gift Funds Canada	Creating a Private Foundation	Value Indicators and Cost Estimates
Set-Up & Organization	Immediately available. Gift Funds Canada (CGFCF) established since 2003.	Delayed availability. Incorporation of Foundation takes time to complete.	Initial Set-Up Expenses can range widely (between <b>\$10,000 and \$25,000</b> ).
Tax Status	Gift Funds Canada is already tax-exempt. Registered with Canada Revenue Agency (CRA).	Must register with CRA to achieve tax-exempt status. Anticipate delay.	Typically 12-18 months for registration process, depending on clarity/acceptability of charitable objects.
Funds Required to Initiate	Minimum \$25,000 required to open a <i>Classic</i> Charitable Gift Fund.  Minimum \$100,000 required to open a <i>Flex</i> Charitable Gift Fund.	Experts recommend assets of <i>at least</i> \$2 million for cost effectiveness.	On assets of <i>at least</i> \$2 million+, published Trustee Fees range widely (1% -1.5% on first \$2 million, down to .50% - 60% on balances over \$4 million). On large accounts, fees are negotiable. Investment fees, special service fees, & executor fees excluded from this figure.  In the CGFCF program, fees are very competitive, given the level of comprehensive services offered.
Tax Benefits/Reporting Obligations	a) Donation receipts issued for full value of contributed assets. Resulting tax credits available to reduce taxes owing in year of gift. b) Up to 75% of donor's taxable income may be claimed annually c) Excess may be carried forward for up to five <i>additional</i> years.	a) Donation receipts issued for full value of contributed assets. Resulting tax credits available to reduce taxes owing in year of gift. b) Up to 75% of donor's taxable income may be claimed annually c) Excess may be carried forward for up to five <i>additional</i> years.	While tax benefits are now very similar, reporting complexities (including excess holdings reporting, compliance requirements etc.) resulting from recent Federal Budget changes have made private foundations less appealing than ever before.
Federal approvals, restrictions and special taxes	a) Approved by CRA b) Less likelihood of CRA field audits c) Greater capacity to absorb such costs if incurred.	a) Must Receive CRA Approval b) Greater incidence of CRA field audits c) Limited capacity to absorb such costs if incurred.	Ongoing/Periodic legal and audit costs can be significant. Private Foundations are vulnerable to such cost impacts – often unanticipated, and outlays erode charitable giving capacity.
Office/Administrative Systems	Already in place and operational.	May need to obtain.	Complexity of information management needs (gifts, investments, grants, etc.) often underestimated.
Accounting Services	In place.	Must obtain. (Estimated at 10 to 15 hours/month at \$100/hr). Annual cost: <b>\$12,000 to \$18,000</b> .	Practitioners with expertise in charitable tax law may be difficult to find.

## COMPARING CHARITABLE GIFT FUNDS & PRIVATE FOUNDATIONS

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Annual Year-End Audit and Filing	Responsibility of GFC.	Must be prepared. Estimated annual cost: <b>\$10,000 to \$15,000*</b> , depending on complexity.	Ongoing Annual Expense. CGFCF absorbs costs centrally, no additional charge to funds. Private Foundations are responsible for full expense involved, often underestimated.
Public Information Return (T3010)	Report to public through CRA - prepared annually	Must prepare reports for submission to CRA – accessible by the general public (i.e. <u>not</u> private).  Estimated annual cost: <b>\$3,000 to \$5,000*</b> .	Ongoing Annual Expense. CGFCF absorbs costs centrally, no additional charge to funds. Private Foundations are responsible for full expense involved, often underestimated.
Grant Administration processes to Ensure Donor's Intent Met and Satisfied	In place and operational	Must be developed.	Cost of developing consistent processes, legally compliant – are often underestimated.
Annual Minimum Disbursement Quota Compliance	Met at a foundation level. No minimum requirement imposed on individual funds.	Met at a foundation level from single capital source.	Individual funds do not have to disburse grants every year – private foundations must unless formally exempted by CRA.
Public Recognition for Donor(s)	Fund may be named and/or grants may be made anonymously	Must disclose all grants made <i>publicly</i> or rely on discretion of recipient charities	Private Foundations, despite the name, are <i>not actually private</i> . Public disclosure of all operational information required by CRA annually.
Director/Officer Liability Insurance	In place	Must obtain. Estimated annual cost: <b>\$3,000 to \$5,000*</b> .	Difficulty in obtaining coverage may be experienced. Cost of acquiring coverage often underestimated.
Compliance/Regulatory Expertise	Expert Knowledge on Charitable Practices	Must be obtained. Estimated annual cost: <b>\$3,000 to \$5,000*</b> .	Cost of acquiring expert knowledge often underestimated.
Investment of Assets	Investment Committee oversees investment policies	Must establish policies and select suitable investments	
Foundation Permanence & Sustainability	<i>Independent</i> Public Foundation assures operational permanence in the public domain.	Private Foundation often becomes an administrative burden for both founders and heirs.	The value of <i>Peace of Mind</i> usually endures long after the pain of the expense involved fades.
Organization Overhead	A modest monthly fee is charged by CGFCF in order to provide its services. The rate is determined by the type of fund chosen and applied on a sliding scale to the fund balance down to a minimum fee level.	Varies widely. Level of expense depends on structure, staffing and activity.	The ongoing costs of overhead for a private foundation are often underestimated, potentially eroding grant-making capabilities. Annual estimate (including basic costs noted above excluding staffing and office expense): <b>\$30,000 to \$50,000*</b> .

\* Estimates of annual expenses which may be incurred to operate a private foundation in the \$5,000,000 to \$15,000,000 size range. The estimates were discussed with Michelle Podhy, CA, Partner KPMG. Please Seek professional advice before acting.