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# An Overview for Converting a Private Foundation to a Donor-Advised Fund

Private foundations are powerful giving vehicles but can be both costly and time-consuming to maintain. NPT can help you convert all or part of your private foundation to a donor-advised fund (DAF). You will incur less overhead and have increased grant flexibility. Your family or foundation directors can be advisors and successors to the DAF and can replace themselves in perpetuity. You may use your foundation's name as your DAF name. For more information, contact NPT's development team (888) 878-7900 or by email at npt@nptrust.org.

# **PRIVATE FOUNDATION**

# **Board Approval**

Your private foundation board must review its governing documents and applicable state laws to determine whether the desired dissolution is permissible.

# **Liability Management**

If your private foundation has any outstanding liabilities such as taxes, grants or fees, these need to be identified and paid before transferring assets to a DAF. A reserve should be created for any additional anticipated expenses. Once assets are transferred to a DAF, they can be granted to public charities or other permissible projects. Assets cannot be granted back to the private foundation to cover past expenses.

#### Account Set-Up

You can create a DAF by completing forms to name the DAF account, designate current advisors, recommend investment options and determine a succession plan.

# **Asset Transfer**

DAFs are housed in public charities. Therefore, transferring your foundation's assets to a DAF is like issuing a grant to any public charity. Most DAF programs can also accept additional gifts of cash, stock, mutual funds, and other tangible personal property.

#### **Tax Filing**

When asset transfer is complete, your private foundation must make necessary filings in the state where it was created before it can be dissolved. If your private foundation is a trust, a final court accounting may be required. It must also file a final IRS Form 990-PF.

# DONOR-ADVISED FUND

# **KEY FACTS**

The average time to convert a private foundation to a DAF is 3 to 6 months.

To terminate private foundation status, the sponsoring charity that will receive the foundation's assets must have been in continuous existence for the immediately preceding 5 years. If this is not the case, additional compliance, including written notice to the IRS, is required.

The information in this document is an overview and is not intended to be exhaustive. If you decide to convert your private foundation to a DAF, you will need to comply with state law requirements, in addition to federal tax law. NPT strongly encourages you to consult with your tax advisor or attorney before closing your private foundation or making any charitable contribution.