

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 donoradvised fund account. You will incur less overhead and have increased grant flexibility. Your family or foundation directors can be advisors and successors to the donor-advised fund account and can replace themselves in perpetuity. You may use your foundation's name as your donor-advised fund account name. For more information, contact NPT's development team toll free at (888) 878-7900 or by email at gift@nptrust.org.

Board Approval Your private foundation board must review its governing documents

(and applicable state laws) to determine whether the desired dissolution is permissible.

Account Set-Up

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

Private Foundation

Donor-Advised Fund

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 donor-advised fund account. A reserve must be created for any additional anticipated expenses. Once assets are transferred to a donor-advised fund account, they can be granted to public charities or other permissable projects. Assets cannot be granted back to the private foundation to cover past expenses.

Asset Transfer

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

The average time to convert a private foundation to a donor-advised fund is 3 to 6 months.

To terminate under Section 507(b)(1)(A) of the IRS code, the sponsoring charity 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.

Key Facts

The information in this document is an overview. If you decide to convert your private foundation to a donor-advised fund account, you will need to abide by state regulations where your foundation was created. NPT strongly encourages you to consult with your tax advisor or attorney before closing your private foundation or making any charitable contribution.