

Converting a Private Foundation to a Donor Advised Fund or Supporting Organization

Private foundations are powerful giving vehicles but can be both costly and time-consuming to maintain. Gulf Coast can help you convert all or part of your private foundation to a donor advised fund (DAF) or supporting organization. You will incur less overhead and have increased grant flexibility.

1

REVIEW GOVERNING DOCUMENTS & STATE LAW

For Nonprofit Corporations: Follow articles/bylaws and state dissolution rules; obtain board approval and file articles of dissolution. **For Trusts:** Follow the trust instrument and any court requirements for termination.

2

DETERMINE & RESOLVE REMAINING COMMITMENTS

Determine whether the foundation has any obligations and set aside sufficient funding for final filings and unexpected costs. Typical obligations include taxes on investment income and unrelated business income, outstanding grants, and professional fees.

3

CREATE NEW FUND OR ORGANIZATION

Work with Gulf Coast to create a donor advised fund (DAF) by completing a gift fund agreement to name the DAF account, designate current advisors, and set succession instructions. Or work with Gulf Coast to create articles of incorporation, bylaws, select board members, and apply for tax exempt status as a supporting organization.

4

ASSET TRANSFER

Transfer assets to the new DAF or supporting organization minus the amount needed for a reserve for final obligations. The transfer may take the form of a grant since Gulf Coast is a public charity. Work with Gulf Coast to transfer noncash assets if applicable.

5

WIND DOWN PRIVATE FOUNDATION

File required dissolution steps as required by state law and the private foundation's governing documents, which may include Articles of Dissolution, or final court accounting or approvals for trusts. File a final IRS Form 990-PF.

Complete and pay for the remaining obligations of the foundation, including arrangements for the preparation and filing of the final Form 990-PF. Archive documentation of transfers, approvals, and final filings. Transfer any remaining assets to the new DAF or supporting organization.

YOUR NEED-TO-KNOWS

- The average time to convert a private foundation to a DAF is 1 to 6 months depending on the assets.
- Important to remember: Once transferred to a DAF, assets cannot be granted back to the private foundation to cover past expenses.
- The information in this document is an educational overview and is not intended to be legal advice. Please consult a Professional Advisor.

YOUR CHECKLIST

- ☐ Decide termination method
- ☐ Pass a board resolution
- ☐ Satisfy liabilities
- ☐ Transfer assets
- ☐ File Form 8940 with the IRS
- ☐ File final Form 990-PF
- ☐ File state dissolution documents
- ☐ Retain records

Moving Forward: Donor Advised Fund or Supporting Organization