

Steps to Converting a Private Foundation



Changing a Private Foundation into a Fund at the Community Foundation

Below are general guidelines, however, we recommend that you engage your legal counsel when terminating your private foundation.

- Determine whether the foundation has current obligations regarding any of the following:
 - The 2% investment income excise tax, unrelated business income taxes, or private foundation penalty taxes. (Note that foundations must make quarterly estimated payments of these taxes.)
 - Outstanding grants that are subject to expenditure responsibility (see IRS Form 990-PF, Part VII-B, Line 5c).
 - Fees for accountants, lawyers, investment managers, or other service providers.
 - Filing of IRS Form 990-PF and related forms with the IRS and state attorney general (be sure you are in compliance with both the IRS and NYS).
- Satisfy all current obligations of the terminating foundation, and create a reserve for anticipated expenditures through the completion of the conversion process.
- Identify any donor-imposed restrictions that apply to the foundation's assets. These might include purpose restrictions, endowment restrictions, or both. Funds subject to narrow purpose restrictions may not be good candidates for conversion, unless the restrictions can be eliminated with the donor's consent or a court order.
- Work with the Community Foundation to prepare a fund agreement that will spell out the terms of your charitable fund. This agreement will reflect any purpose or endowment restrictions that will apply to the fund and name advisors to the fund.
- Transfer all of the foundation's assets, except for the reserved funds, to the new charitable fund. This transfer may take the form of a grant to the newly created fund at the Community Foundation.
- Commence a dissolution proceeding in Supreme Court, on notice to the Attorney General, for (1) approval of the corporation's plan of dissolution and later, (2) for approval of the filing of the certificate of dissolution with the NYS Department of State.
- Wind up the remaining obligations of the foundation, including the preparation of a final Form 990-PF. In a final board meeting of the private foundation, vote to dissolve the corporation, as provided in the foundation's bylaws.

You receive personalized service

For information on transferring a private foundation, or if you are considering creating a new private foundation, please contact the Community Foundation. We can discuss your options, work with your professional advisors and see what tax and administrative benefits you'll receive to help you make the best decision.

Contact

Andrea L. Reynolds
President and CEO
areynolds@cfhvny.org

Kevin J. Quilty
Vice President, Ulster
kquilty@cfhvny.org

845-452-3077
845-338-2535

Affiliates

Community Foundation
of Dutchess County

Community Foundation
of Ulster County

Community Foundation
of Putnam County

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In Dutchess & Putnam
80 Washington Street, Suite 201
Poughkeepsie, NY 12601
p» 845.452.3077
www.cfhvny.org

In Ulster
280 Wall Street, P.O. Box 3046
Kingston, NY 12402-3046
p» 845.338.2535
www.cfhvny.org



**COMMUNITY
FOUNDATIONS**
OF THE HUDSON VALLEY

SERVING DUTCHESS, ULSTER & PUTNAM COUNTIES