



Converting a Private Foundation into a Donor-Advised Fund

What You'll Retain

When you convert a Private Foundation to a Donor-Advised Fund, you retain the following:

Identity: A specifically named Fund lets your family or the original founding donor retain their identity and stature in the community. For example, the Jones Family Foundation typically becomes the Jones Family Foundation Fund. The family can retain websites, events, and other identifying collateral.

Charitable Intent: The same mission and focus of the current Foundation can be incorporated into the establishing guidelines and objectives of your Fund.

Grant Making: As Fund advisor(s) you recommend grants which are then implemented by the staff of Inland Northwest Community Foundation (INWCF). The same internal grant evaluation procedures used by your private foundation can be applied to your new Fund. Additionally, the INWCF personnel ensure that the Fund complies with all IRS granting guidelines and requirements.

Family Legacy: A Fund established at INWCF enables families to teach their children, grandchildren and subsequent generations, the importance and wisdom of supporting organizations that make a positive impact in the world.

Perpetuity: Successor Fund advisors can be named for subsequent generations by the original founders or successor advisors up to two generations in advance. There is no limit upon the lifetime of the Fund.

What You'll Gain

When you convert a Private Foundation to a Donor-Advised Fund, you gain the following:

Favored Tax Status: For any new assets contributed to the Fund (beyond the initial funding) donors receive tax deductions significantly higher than those they received under the previous private foundation status. For example, 50% of AGI vs. 30% of AGI for cash donations, full market value for real estate contributions vs. cost basis, among others.

Professional Investment Management: Fund holders gain professional investment management of their assets. INWCF utilizes an investment consultant, R.V. Kuhns, Inc., to recommend asset allocation and specific investment managers. This process is rigorously overseen by an Investment Committee, comprised of experienced local investment professionals. Additionally, due to INWCF's economy of scale, investment-related fees are much lower than similarly structured private portfolios. There also is an opportunity for the donor to recommend a financial advisor for consideration by INWCF.

Selective Anonymity: While most individuals and families are comfortable with recognition for their generosity, some may desire to give anonymously. While every donation made by a private foundation is a matter of public record, Fund advisors can either choose to be recognized, or give anonymously, on an individual grant-by-grant basis.

Promotion & Funding: The visibility and stature of individual Funds at INWCF can be increased through various forms of marketing, promotion, and even fundraising.

Grant Making Support: INWCF researches local charitable organizations and conducts site visits, not only to ensure compliance with IRS granting requirements, but to evaluate which charitable entities are efficiently accomplishing their program objectives and organizational missions.

What You'll Eliminate

When you convert a Private Foundation to a Donor-Advised Fund, you eliminate the following:

Distribution Requirements: Private foundations are required by IRS regulations to distribute at least 5% of the foundation's assets each year. Donor-Advised Funds currently have no such annual requirement. This provides fund advisors flexibility in adjusting grant recommendations to changing economic environments.

Excise Tax: Private foundations are required to pay a 1 – 2% excise tax on investment income. Funds at Inland Northwest Community Foundation have no such tax.

Tax Returns & Audits: Private foundations are required to file annual 990-PF tax forms, and depending upon the size of the private foundation, may need annual audits, as well as incurring occasional legal expenses. These administrative costs and functions are absorbed by INWCF.

Administrative Burden: Individual Funds within INWCF can choose to be as involved or uninvolved in administrative duties—such as grant making research, scholarship screening and evaluation, among others—as they desire. Funds can retain all such tasks or delegate them to the INWCF's experienced staff.

For additional information, contact:
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