

Considerations in Terminating a Virginia Private Foundation

1. A Private Foundation (PF) may be struggling with the following issues:
 - Original purpose of the PF no longer has the urgency it once did.
 - Financial and administrative factors make it difficult for the PF to operate effectively.
 - The original founder may be slowing down and the children and/or grandchildren may not share his/her passion.
 - Busy schedules and geographic dispersion make it increasingly difficult to provide administrative attention.
 - The founder desires that his or her children focus on the family's philanthropy and not on the burden of foundation administration.
2. Due to these considerations and the increased recognition of the advantages of a donor advised fund (DAF), many PFs have terminated and transferred its assets to community foundations.
3. Advantages of a fund at The Shenandoah Community Foundation (SCF) include:
 - Active role for family to practice and grow their philanthropy.
 - The ability to engage the next generation.
 - Lower ongoing costs (SCF fee is 1% of fund balance for fund less than \$1M).
 - Ability to accept more complex assets.
 - Better tax benefits.
 - No IRS or state filings or record keeping required.
 - No excise taxes.
 - No 5% payout requirement.
 - Privacy and anonymity since a fund does not have its own IRS filings.
 - Due diligence on all grants and greater flexibility in the family's grantmaking.
4. Section 507 of the Internal Revenue Code permits a termination of a PF.
5. The family would execute a simple written fund agreement outlining the charitable fund.
6. The PF would meet to approve the termination of the PF and document its action in the minutes.
7. The PF then transfers the assets to SCF for the benefit of its fund. When transferring assets to SCF, please ensure that sufficient funds are withheld to pay any excise taxes, termination fees, and dissolution expenses at both state and federal level.
8. The PF will then file the final 990-PF to the IRS and pay any necessary taxes.
9. The PF will file SCC Form 904 (Articles of Dissolution) and SCC Form 912 (Articles of Termination) with the Virginia State Corporation Commission.
10. Transfer of PF assets to SCF releases PF from IRS reporting requirements and terminates the payment of excise tax imposed on PF.
11. SCF will send the family annual statements on the fund. Grants may be recommended by mail or email. Site visits can easily be arranged for those charities for which the family may wish to learn more.