

June 2019

Private Foundations Bulletin

Form 990-PF: Direct Charitable Activities

What is considered a direct charitable activity? We are often asked this question by our clients and friends. In response, we have prepared this bulletin with the hope that it will serve as a reference; defining a direct charitable activity.

Direct charitable activities exist when a private foundation maintains some **significant involvement** in its grant program and/or expenditures are made by the foundation to conduct exempt activities by itself rather than by or through grantee organization(s) that receive distributions.

Grants to other organizations to help them conduct their activities are an **indirect**, rather than direct, means of carrying out the private foundation's exempt purpose, even though the activities of the grantee organization may further the exempt activities of the grantor foundation.

Examples of Direct Charitable Activities

The following are some examples of direct charitable activities:

- Conducting educational seminars and conferences.
- Providing goods, shelter, or clothing to indigents or disaster victims if the foundation maintains some significant involvement in the activity rather than merely making grants to the recipients.
- Conducting scientific, historic, public policy, or other research with significance beyond the foundation's grant program that does not constitute a prohibited attempt to influence legislation.
- Publishing and disseminating the results of such research, reports of educational conferences, or similar educational material.
- Supporting the service of foundation staff on boards or advisory committees of other charitable organizations or on public commissions or task forces.

Direct expenses related to these activities can be summarized on the federal Form 990-PF, as well as indirect expenses such as staff salaries which can be allocated on a reasonable basis.

Expenses attributable to administering grant programs, such as reviewing grant applications, site visits, selecting grantees and reviewing reports relating to the use of grant funds, usually do **not** constitute direct charitable activities.

Criteria for Maintaining Significant Involvement in Grant-Making

The IRS considers the following factors in determining if a foundation maintains significant involvement in grant-making as referenced above:

1. The foundation operates as follows:
 - An exempt purpose of the foundation is relieving poverty or human distress, and its exempt activities are designed to improve conditions among the poor or distressed or in an area subject to poverty or national disaster (such as providing food or clothing to indigents or residents in a disaster area),

- The foundation makes grants or other payments directly for the exempt purpose without the help of an intervening organization or agency, and
- The foundation has a salaried or voluntary staff of administrators, researchers, or other personnel who supervise and direct the exempt activities on a continuing basis.

or

2. The foundation has the following characteristics in the performance of their exempt purpose:

- Developed specialized skills, expertise, or is involved in a particular discipline (such as scientific or medical research, social work, education, or the social sciences).
- Has a salaried staff of administrators, researchers, or other personnel who supervise or conduct activities that support the foundation's work in its particular area of interest.
- As part of these activities, the foundation makes grants, scholarships, or other payments to individuals to encourage their involvement in the foundation's area of interest and in a segment of the activities the foundation carries on (such as grants under which the recipients, in addition to independent study, attend classes, seminars, or conferences the foundation sponsors or conducts, or grants for social work or scientific research projects under the foundation's general direction and supervision).

Contact Us

We welcome the opportunity to speak with you about any questions you may have regarding this newsletter or any other subject related to accounting, audit, tax or advisory matters relative to private foundations.

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