

NONPROFIT ORGANIZATIONS INSTITUTE

**Direct Charitable Activities, Recoverable Grants, and Funding Intermediaries and Fiscal Sponsors**

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## Objective

Private foundations and other funders are empowered to maximize their programmatic impact with a range of tools and funding structures, while maintaining regulatory compliance

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## Outline

### Direct Charitable Activities

- Definitions and use cases
- DCAs vs. Grants
- Traps for the unwary
- Reporting

### Recoverable Grants

- Definitions and use cases
- PF Investment Continuum
- RG Requirements
- Traps for the unwary
- Reporting

### Fiscal Sponsors and Intermediaries

- Earmarking overview
- Fiscal sponsorship:
  - Definitions inc. Models A & C
  - Use cases & choosing the right model
- Other intermediaries: Community Foundations, Donor Advised Funds, 'Friends Of' organizations, Pooled Funds
- Traps for the unwary

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## What are Direct Charitable Activities (DCAs)?

Direct charitable activities exist when expenditures are made by a private foundation to conduct exempt activities by itself rather than by or through grantee organization(s).

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## Why Use a DCA?

Direct charitable activities allow a private foundation to 'get its hands dirty' – participating in charitable work itself rather than exclusively making grants to other organizations.

A PF may choose to do this if, e.g.:

- PF wants to more efficiently and directly accomplish its goals
- PF has experts on staff
- PF wants to be more involved in implementation of work
- PF wants to host a convening of partners
- PF has expenditures related to developing its own programmatic strategies

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### DCAs

vs.

### Grants

- Significant involvement by PF in direct conduct of charitable activities
- Specific benefit/value to PF
- PF-Led: significant involvement and management by PF staff
- Deliverables: specific work product; services provided to PF
- Ownership: outputs generally owned by PF
- Broad IRS guidelines

- Specifically excluded from DCAs
- Donative: No expected return to PF; focus on benefit to grantee org
- Grantee Led: management and direction by partner org
- Deliverables: primarily reporting and learning
- Ownership: outputs generally owned by grantee
- Specific IRS rules: ER, etc.

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