

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

- | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">• 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 | | <ul style="list-style-type: none">• 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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