

# Blazek & Vetterling

## Expense Reimbursement Policy for Private Foundations

### OVERVIEW

A Foundation can reimburse expenses incurred by a Foundation officer, director, employees, or volunteers for travel, meals, conferences, office supplies, and any other expense in connection with the Foundation's activity, so long as the expenditure advances its charitable mission. The tax rules require that such expenditures be documented to evidence their purpose. The expenses must be ordinary and necessary, appropriate, reasonable and incurred to serve the Foundation's charitable purposes or participate in efforts that advance the Foundation's mission.

Expenses of a trip taken primarily to conduct Foundation business may be fully reimbursed. When a trip is made partly for Foundation business and partly for pleasure, only that portion directly attributable to Foundation business can be reimbursed. On a trip taken primarily for personal reasons, the Foundation-related expenses incurred at the destination, such as the cost of meals, taxi fares, the admission price charged for lectures dealing with charitable programs, or buying books relevant to Foundation affairs, can be reimbursed.

The reimbursement of reasonable and necessary Foundation-related expenses to a Foundation disqualified person to carry out the exempt purposes of the Foundation is not an act of self-dealing.

All reimbursed expenses must be accompanied by **original** receipts and a description of the nature of the expense and documents such as conference programs, luncheon meeting announcement, notice of attendance, and the like. For travel a log listing the days and locations, plus for auto mileage requests, a log of actual miles traveled.

### CONFERENCE REGISTRATION FEES AND MEMBERSHIPS

Conferences which are relevant to Foundation activities are appropriate expenditures for reimbursement. These expenditures include registration fees and meals. The conference should focus on grant-making programs, investment decisions, overall management ability, or other subjects relevant to Foundation affairs. The purpose of attending should be to advance the Foundation's mission, rather than the private interests of its personnel. Membership fees for organizations, such as the Association of Small Foundations or a regional grant-makers forum are also reimbursable expenditures.

### LODGING AWAY FROM HOME

Lodging for persons traveling away from home on behalf of the Foundation can be reimbursed up to the applicable *per diem* allowance provided in the IRS guidelines. The travel is considered as incurred away from home if (1) the trip is overnight or (2) the trip is long enough to necessitate a stop for sleep or rest to properly perform the work.

When a trip is taken primarily to conduct Foundation business, all expenses may be reimbursed. When a trip is made partly for Foundation business and partly for pleasure, only that portion directly attributable to Foundation business can be reimbursed. If a spouse, friend or relative accompanies a Foundation representative, any added cost for double occupancy and related expenses cannot be reimbursed. The expense form should reflect adjustments to remove such non-reimbursable costs.

## **MEALS & INCIDENTALS AWAY FROM HOME**

The cost of meals and incidental expenses incurred while traveling away from home on behalf of the Foundation can be reimbursed, up to the applicable government *per diem* rate for the location of the travel. One is “away from home” when (1) the trip is overnight or (2) the trip is long enough to require a stop for sleep or rest to enable one to work.

Reimbursable meals include amounts spent for food, beverages, plus taxes and related tips. Incidental expenses include laundry, cleaning and pressing of clothing, fees and tips for persons who provide services, such as porters and baggage carriers.

When a trip is taken primarily to conduct Foundation business, all expenses may be reimbursed. When a trip is made partly for Foundation business and partly for pleasure, only that portion directly attributable to Foundation business can be reimbursed.

## **TRANSPORTATION AWAY FROM HOME**

The Foundation can reimburse reasonable and necessary costs incurred while traveling on Foundation business. Expenses that could be perceived as lavish or excessive will not be reimbursed. Transportation must be to a location outside the area in which the person resides, must not be lavish (no first class), and are subject to the following considerations:

***Air Travel*** – Reimbursement for air travel is limited to expenses of travel by the most direct, economical and practical route.

- A foundation can reimburse the cost of the fare for direct, non-stop flights from the airport nearest the individual's home or office to the airport nearest the destination.
- Fares for air travel reservations should be made as far in advance as possible in order to take advantage of reduced fares.
- Nonrefundable tickets should be purchased when the possibility of being rescheduled is minimal.
- The value of a free ticket provided by persons visited or obtained as a result of a frequent traveler or similar program cannot be reimbursed.
- Persons traveling on behalf of the Foundation may accept and retain frequent flyer miles and compensation for denied boarding for their personal use. A single airline may not be deliberately patronized by personnel to accumulate frequent flyer miles if less expensive comparable tickets are available on another airline.

***Ground Transportation*** – Foundation representatives should use the most economical ground transportation appropriate under the circumstances.

- Fares for taxis, shuttle services, and commuter buses related to the Foundation trip are reimbursable expenditures.
- Car rentals and private car or sedan services are relatively expensive, so other forms of transportation should be used when practical.
- Use of limousines is not a reimbursable expense.

- Automobile miles will be reimbursed at the prevailing government rate upon submission of a log reflecting the date, travel inception and destination, purpose, and miles traveled.

To be fully reimbursed, a trip must be taken primarily to conduct Foundation business. When a trip is made partly for pleasure, only that portion attributable to Foundation business can be reimbursed.

### **LOCAL MEALS (MEETING-RELATED)**

The actual cost of attending Foundation meetings, such as Board, investment committee or operational meetings can be reimbursed unless the cost is lavish or excessive.

### **PROFESSIONAL FEES**

The Foundation may directly pay for or reimburse the cost of retaining a professional who performs services for the Foundation. The cost of legal services should relate to matters of concern to the Foundation, not its officers and directors, such as the cost of a meeting with an attorney to discuss formation of the Foundation or plans for Foundation activity – but not to discuss strategies to reduce an officer's or director's income tax. Similarly, fees for accounting and tax compliance, investment management, grant program consultations or other professional services that are ordinary and necessary to conducting the Foundation's affairs can be paid for or reimbursed.

### **OFFICE SUPPLIES**

The Foundation can pay for or reimburse costs for ordinary and necessary office expenses incurred in connection with Foundation activities, including stationery and other office supplies, brochures describing its mission and charitable program, business cards, or postage and delivery charges. Again, the expenditure must be related to conducting Foundation business.

### **EXAMPLES OF NON-REIMBURSABLE EXPENSES**

- Any expense appearing unreasonable or lavish in nature or amount
- Expenses associated with travel of spouses, family or friends
- First class tickets or upgrades
- Limousine travel
- Personal entertainment, including
  - movies, liquor or bar costs,
  - participation in or attendance at golf,
  - tennis or sporting events, spa or exercise charges,
  - membership dues at any country club, private club, athletic club, golf club, tennis club or similar recreational organization
- Purchase of golf clubs or any other sporting equipment
- Clothing purchases
- Travel insurance
- Fines and penalties