Who decides what level of compensation to provide and approves requests for reimbursement? The policy should identify who will make these decisions. Using outside advisors may help to avoid family resentments in situations where family staff members are compensated differently. This person or committee can also ensure that compensation and reimbursement are budgeted and tracked appropriately.

**Finding an Alternative to Compensation**

If your board decides that providing direct compensation for family staff service is not appropriate or desired, you may still want to consider instituting one or more of the following options to honor and encourage their ongoing service:

- **Discretionary grants**: Some foundations allow their family staff to make a small number of discretionary grants to nonprofits of their choice, most often within the foundation’s stated guidelines (another option is to provide a small discretionary grants budget to each trustee). (See the section on Discretionary Grants in Establishing Grantmaking Interests and Priorities, p. 185.)

- **Matching grants**: These grants are usually made in recognition of an individual staff member’s personal gift to a nonprofit, where the foundation matches the gift according to some predetermined formula (often one-to-one) up to a certain amount each year.

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**fig 7**  
Can the Foundation Pay for Spousal Travel? For the Travel of Other Family Members?

**Generally, no.** The assets of the foundation cannot be used to finance family reunions. Spouses and children of board members are disqualified persons. If foundation assets are paid to them for travel or related expenses, such payment is an act of self-dealing. Obviously, if the spouse or child is also a board member (or staff), the reimbursement of reasonable expenses for necessary foundation activities is not a violation. But assuming the spouse or child has no official duties, such reimbursement is self-dealing.

There are two methods for making such reimbursement payments that satisfy the legal concerns. First, treat the reimbursement as part of the reasonable compensation paid to the board member or staff member whose spouse or child is being reimbursed. The amount of reimbursement must show up as reportable income to the board or staff member on a form 1099 or W-2.

**Example:** A board member takes his or her spouse to a Council on Foundations conference for family foundations. If the expenses paid by the foundation for the spouse are counted as compensation to the board member — and the board member’s total compensation is reasonable — there is no self-dealing. Why? Reasonable compensation for personal services is the main exception to the self-dealing rules.

Second, develop legitimate and meaningful duties for the spouse and/or children that further the charitable purposes of the foundation. Providing companionship and attending social receptions with a board member would not be considered meaningful foundation duties.

**Example:** To train the next family generation in the traditions and operations of the foundation, the foundation approves an advisory committee composed of children of the donor. This committee will review all applications for grants in a particular subject area and make final recommendations to the governing board. Reimbursing these children for reasonable expenses of attending an appropriate board meeting or a training conference would be legitimate foundation expenses.