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.

SOURCE: John A. Edie. *Family Foundations & the Law: What You Need to Know*. 3rd ed. Washington, DC: Council on Foundations, 2002.