

# FREY FOUNDATION

## **EXPENSE REIMBURSEMENT POLICY TRUSTEES AND CHARTERED COMMITTEE MEMBERS**

### **POLICY:**

It is the policy of the foundation to reimburse trustees and chartered committee members **for reasonable and necessary expenses** that are incurred in carrying out the exempt purpose of the foundation. Receipts are required for expenses greater than \$25.

The foundation operates an accountable plan, and to be eligible for reimbursement, an expense must be supported by the appropriate documentation for valid business purposes and meet the following criteria:

- Provide a direct benefit to the foundation;
- Be directly related to responsibilities of the individual incurring the expense; and
- Be properly reported for tax purposes.

### **RATIONALE FOR POLICY:**

A private foundation is prohibited from entering into any financial transactions with certain related parties defined under the law as “disqualified persons.”

Disqualified persons include officers, directors, and trustees, employees with authority to act on behalf of the foundation and substantial contributors to the foundation. The family members of each person designated in the previous sentence are also disqualified persons. Family members are defined as ancestors, spouses, children, grandchildren, great grandchildren and the spouses of children, grandchildren, and great grandchildren.

Under the law, self-dealing payments to a disqualified person can result in a penalty for both the individual and the foundation manager who approves them, and restitution must be made to the foundation for the entire amount of the self-dealing payment. Indemnification by the foundation is not permitted in these circumstances and there is no reasonable defense exception available.

However, the law contains an important exception to the self-dealing rule. This exception allows payments to disqualified persons, provided that these payments are for personal services that are reasonable and necessary to carrying out the exempt purpose of the foundation. These payments can be for reimbursement of expenses.

### **REIMBURSEMENT GUIDELINES:**

#### **Purposes of Travel for Which Reimbursement May be Sought**

- It is important for the trustees and chartered committee members to actively participate in seminars, workshops, conferences, and project site visits, which enhance and improve the grantmaking, planning, investment of assets and general management of the foundation.
- Similarly, trustees and chartered committee members will be reimbursed for routine travel expenses associated with attending board and planning meetings of the foundation.

#### **Reasonable Expenses Reimbursed**

- The foundation will reimburse reasonable expenses associated with travel, lodging, meals, and necessary incidentals (such as parking, baggage fees, taxi service or tips) for purposes of travel noted above. Any travel by personal automobile for foundation related business will be reimbursed at the current Internal Revenue Service (IRS) approved mileage rates.
- Air travel by trustees and chartered committee members shall be economy/coach airfare or its equivalent.

- Lodging for trustees and chartered committee members shall be single occupancy or standard business room rates. When the hotel is the conference site, and a room block is available at a conference rate, then reimbursement will be limited to that rate.
- Travel by air or personal automobile are both acceptable. However, if a traveler drives their personal vehicle due to personal preference, the reimbursement amount may be adjusted to reflect researched air travel costs.

#### **Other Items for Consideration**

- Individual trustees and chartered committee members may elect to have their spouse join them in travel for purposes described in the guidelines above for a total of two meetings or conferences per year, with reimbursement by the foundation. All expenses for spouses reimbursed by the foundation will be considered as compensation to the foundation trustee or chartered committee member. The foundation will report this compensation on relevant IRS tax forms at year end, and the individual will then have tax liability regarding such income.
- Fourth generation family members may be reimbursed for travel once per year when attending annual learning sessions and related family functions. Fourth generation family members will not be reimbursed for other travel during the year related to observations or quarterly family dinners.

Approved By:	Board of Trustees
Effective Date:	February 10, 2023