

## IN THIS SECTION

What should you give to?

What is your time horizon?

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What is the fastest way to deploy resources quickly and effectively?

Can you undertake direct charitable programs?

Can you make grants directly to individuals and nonpublic charities?

## PHILANTHROPY

# How can private foundations respond to COVID-19? Seven key questions to ask

In the midst of the uncertainty surrounding the COVID-19 pandemic, it's hard to know the best way to respond. But as the pandemic grows, private foundations have an opportunity to make a significant difference.

For many large, staffed foundations, it's a matter of starting with their current grantees and the existing focal issues of the foundation as a base for developing criteria for how to give emergency funding and to whom. For smaller and less established private foundations, getting started can be more difficult.

Many private foundations have a purpose that is as broadly defined as "any purpose allowed under 501(c)(3)" or "any charitable purpose." If that describes your foundation, permitted charitable purposes can include a wide range of support related to COVID-19, such as:

- Relief of the poor and distressed
- Provision of housing to low-income individuals
- Promotion of health
- Promotion of social welfare
- Lessening the burdens of government<sup>1</sup>

That leaves a huge degree of latitude in what you can do. The challenge, though, is to determine where to start and how to do it. We at Deloitte and the Monitor Institute by Deloitte recommend beginning with a short set of interconnected questions:

1. What should you give to?
2. What is your time horizon?
3. Where do you want to give?
4. What will you do about your current grantees?
5. What is the fastest way to deploy resources quickly and effectively?
6. Can you undertake direct charitable programs?
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<sup>1</sup> Treas. Reg. § 1.501(c)(3)-1(d)(2)

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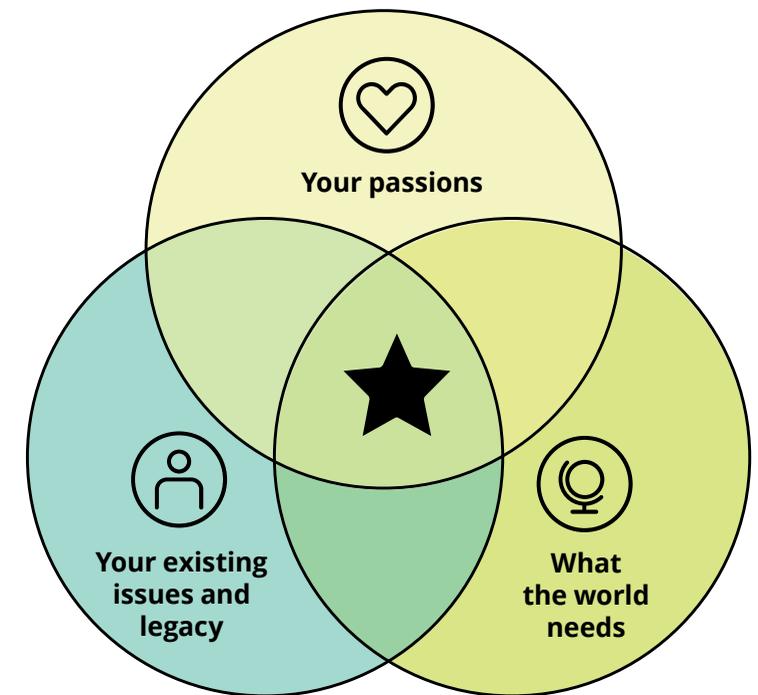
### 1 What should you give to?

The range of critical needs in our communities in the midst of COVID-19 is almost too vast to comprehend. We often help philanthropists address this question using a construct that we adapted for philanthropy from Jim Collins's famous business diagram,<sup>2</sup> which helps identify the “focal point of philanthropy” at the nexus of:

- Your passions, since philanthropy is always, ultimately, a form of expression of people's beliefs, loves, and values;
- The established issues and focus of your organization and what fits with your existing activities, capabilities, and legacy; and
- What you believe your community (or the world) needs most.

By focusing on the areas at the intersection of these three factors, your foundation can begin to discern what is right for you—helping you make choices about whether to invest in a medical response, economic consequences for a selected charitable group, or any number of any other options.

### Focal point of philanthropy



<sup>2</sup> Jim Collins, “The Hedgehog Concept,” <https://www.jimcollins.com/concepts/the-hedgehog-concept.html>.

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### 2 What is your time horizon?

Figuring out your giving isn't just a question of what you give to, but also of *when*. In the aftermath of a crisis, there is often an outpouring of support for immediate relief efforts. This is absolutely critical money. But it's also important to recognize that once donations trail off in the months after the peak of a crisis, it can be difficult to find additional funds for long-term recovery efforts—activities that can often take years, if not decades. Since the repercussions of the COVID-19 pandemic are likely to continue over the coming months and years, it may also be important to support preventative measures and preparation for whatever aftershocks and challenges might come next (especially because they may compound the more immediate impacts of the COVID-19 pandemic). Building the long-term resilience and capacity of our communities to respond to future crises may often be left underexplored and underfunded.

### 3 Where do you want to give?

Historically, with disaster funding, the question of where you give has been straightforward. Usually the area of impact for a crisis is restricted to a limited geographic region or place. The global nature of the COVID-19 pandemic means donors will have to make choices about whether they give locally, regionally, nationally, or internationally. All of these options have real merit; it's more a question of what is the right fit for your foundation, given its mandate and interests? A private foundation is allowed to make international grants to foreign organizations that have obtained US public charity status or to foreign governments without incurring additional administrative burden. For all other foreign grantees, either an equivalency determination or expenditure responsibility oversight is required.



Potentially both may be required if the equivalency determination only determines the charity is the equivalent of a private foundation. These additional administrative requirements are not significantly burdensome and should not be prohibitive barriers to international giving. Timing is important, and funds should be disbursed only after first determining the status of a grantee.

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### 4 What will you do about your current grantees?

Even as some funders shift their giving to support urgent relief and recovery efforts, it's important to remember your existing grantees may be significantly affected by the crisis. Many funders are adding additional years of support for their current grantees, making emergency grants available to assist with operating cash challenges, relaxing the timing of grant reporting requirements, and converting project-based grants to unrestricted ones to provide greater flexibility to grantees. All of these actions can help your current grantees continue their work in the midst of growing and shifting community needs.

Once you've answered these four strategic questions, the next set of choices are operational—about *how* you can most productively and efficiently do your giving:

- What is the fastest way to deploy resources quickly and effectively?
- Can you undertake direct charitable programs?
- Can you make grants directly to individuals and nonpublic charities?

### 5 What is the fastest way to deploy resources quickly and effectively?

The quickest way to deploy resources may be for a foundation to make a grant to a public charity that already has a program in place providing necessary services the foundation wishes to support. This could include

food banks, hospitals, and other local human service organizations—and can be both quick and effective.

Another powerful option is to give through an established charitable “pooled fund.” Community foundations, online giving platforms, and regional associations of grantmakers in many places have created collaborative funds that make it easy for foundations and individuals to participate and contribute. These pooled funds help aggregate resources and allow funders to piggyback on the research and due diligence of experts with deep, local, issue-based knowledge. Sometimes the best way to show *leadership* is to *follow* those who already are working on an issue or who have deep experience in a place.

### 6 Can you undertake direct charitable programs?

Foundations can engage in direct charitable programs. Generally, a private foundation can undertake any charitable program a public charity can undertake. It is more a question of whether the private foundation has the staff, experience, and resources to undertake such an endeavor effectively. However, assuming it does—either through hiring outside contractors or utilizing hired staff and volunteers—a private foundation may undertake any direct charitable activity, from building temporary hospital facilities for patients to providing infrastructure services, such as food and meal delivery to homebound residents. This can also assist with providing temporary employment for displaced workers.

One thing we know about many people with existing private foundations: they have an entrepreneurial spirit. They often see solutions to an

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immediate, local problem which is actionable and could keep that problem from becoming another disaster. Understanding the problem and determining if the proposed solution is charitable for the foundation is one key place where the professionals at Deloitte can provide guidance.

### 7 Can you make grants directly to individuals and nonpublic charities?

A unique tool available to private foundations is the ability to make direct distributions for charitable purposes to individuals and entities that are not public charities. This is permitted by law, but the caveat is that, when making grants to individuals, foundations must have a plan that benefits a broad enough group to constitute a “charitable class.” This means there must be a large enough group of individuals to ensure there is not private benefit being incurred. For example, generally a foundation would not be allowed to make grants to just the current employees of one business, as this would not constitute a broad charitable class of individuals. In addition, if the plan is going to be related to the COVID-19 pandemic, payments will likely not be for travel, study, or other similar purposes. Because the plans are not for these purposes, the plans will not have to gain prior approval from the IRS. Even though advance approval is not required, the plans do still need to be objective and nondiscriminatory.

The good news is that private foundations that are already in existence are a **nimble** and **powerful tool** in times of crisis.

Once the foundation has a plan that details who is eligible and what type of assistance the foundation wants to provide, expenditure responsibility oversight is required for any nonpublic charity grants or program-related investments. None of this additional oversight is prohibitively complicated, but it should always be done with the assistance of a qualified adviser.

The good news is that private foundations that are already in existence are a nimble and powerful tool in times of crisis. By answering a few key strategic and operational questions, you can take steps to focus and respond quickly in the face of the current crisis and ensure you are deploying your assets appropriately and effectively.

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