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# O'CONNOR DAVIES

AUDIT | TAX | CONSULTING

## Practices for Returned Matching and Multi-Year Grants

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# Who you can donate to

- 501(c)(3) Public Charities
- Non- 501(c)(3) Exempt Organizations
- Individuals
- Private Entities
- Other Private Foundation
- Foreign Entities

**Part XV** Supplementary Information (continued)**3** Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
<b>a</b> Paid during the year				
A. VAUGHT'S CENTER FOR LEARNING 514 CORONADO AVE. SCOTTSDALE, AZ 85003	N/A	PC	EDUCATION AND TRAINING	170,000.
ARIZONA SPCA 900 PORTWAY DRIVE PHOENIX, AZ 85007	N/A	PC	GENERAL FUND	180,000.
DOGG FDN FOR MENTAL HEALTH 3001 LAKE AUSTIN BOULEVARD PHOENIX, AZ 85048	N/A	PC	ASSISTANCE FOR TRAUMA SURVIVORS	190,000.
FAIR HOUSING ACTION CENTER 938 LAFAYETTE STREET #413 SCOTTSDALE, AZ 85254	N/A	PC	COMMUNITY EDUCATION	430,000.
ROGER E. JAMES SCHOOL OF LAW UNIVERSITY OF ARIZONA TUSCON, AZ 85721	N/A	PC	SCHOLARSHIP FUND	20,000.
<b>Total</b>			<b>3a</b>	<b>990,000.</b>
<b>b</b> Approved for future payment				
SCOTTSDALE CENTER FOR PHOTOGRAPHY 1441 W. ALABAMA ST SCOTTSDALE, AZ 85003	N/A	PC	MODERN PHOTOGRAPHY EXHIBITS	300,000.
<b>Total</b>			<b>3b</b>	<b>300,000.</b>

<b>Foundation Status of Recipient Use the following codes:</b>	
NC	Non-charity (not 501(c)(3))
PF	Private non-operating foundation (section 509(a))
POF	Private operating foundation (section 4942(j)(3)) other than an EOF
EOF	Exempt operating foundation (section 4940(d))
PC	Public charity described in section 509(a)(1) or (2)
SO-DP	Type I, type II, or type III functionally integrated supporting organization if a disqualified person of the private foundation controls the supporting organization or a supported organization (sections 509(a)(3) and 4942(g)(4))
SO I	Type I supporting organization (sections 509(a)(3) and 509(a)(3)(B) (i)) other than an SO-DP
SO II	Type II supporting organization (sections 509(a)(3) and 509(a)(3)(B) (ii)) other than an SO-DP
SO III FI	Functionally integrated type III supporting organization (sections 509(a)(3), 509(a)(3)(B)(iii), and 4943(f) (5)(B)) other than an SO-DP
SO III NFI	Non-functionally integrated type III supporting organization (sections 509(a)(3), 509(a)(3)(B)(iii), and 4943(f) (5)(B))
TPS	Testing for public safety organization

# Types of Grants

- Operations
- Bricks and Mortar
- Matching
- Endowment Funds
- Recoverable Grants
- Collateral and Loans

# Program Related Investments

- Primary purpose is to accomplish the Foundation's exempt purpose
- No significant purpose of the investment is for the production of income or the appreciation of property
- The investment may not be used for lobbying activities

# Foreign Grants

- Three Options
  - Grantee is recognized by the IRS
  - Expenditure responsibility
  - Equivalency determination
    - Opinion of Counsel, CPA's or Registered Agents
    - Affidavit prepared by Grantee
- Be aware of Terrorist Relationships and International Prohibitions

**6 Minimum investment return.** Enter 5% of line 5 ..... | **6** | **489,642.**

**Part XI Distributable Amount** (see instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here ☐ and do not complete this part.)

<b>1</b>	Minimum investment return from Part X, line 6 .....	<b>1</b>	<b>489,642.</b>
<b>2a</b>	Tax on investment income for 2013 from Part VI, line 5 .....	<b>2a</b>	<b>51,900.</b>
<b>b</b>	Income tax for 2013. (This does not include the tax from Part VI.) .....	<b>2b</b>	
<b>c</b>	Add lines 2a and 2b .....	<b>2c</b>	<b>51,900.</b>
<b>3</b>	Distributable amount before adjustments. Subtract line 2c from line 1 .....	<b>3</b>	<b>437,742.</b>
<b>4</b>	Recoveries of amounts treated as qualifying distributions .....	<b>4</b>	<b>0.</b>
<b>5</b>	Add lines 3 and 4 .....	<b>5</b>	<b>437,742.</b>
<b>6</b>	Deduction from distributable amount (see instructions) .....	<b>6</b>	<b>0.</b>
<b>7</b>	<b>Distributable amount</b> as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1 .....	<b>7</b>	<b>437,742.</b>

**Part XII**



<b>Part XII Qualifying Distributions</b> (see instructions)		
<b>1</b>	Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:	
<b>a</b>	Expenses, contributions, gifts, etc. total from Part I, column (d), line 26	<b>1a</b> 1,109,000.
<b>b</b>	Program-related investments - total from Part IX-B	<b>1b</b> 0.
<b>2</b>	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	<b>2</b>
<b>3</b>	Amounts set aside for specific charitable projects that satisfy the:	
<b>a</b>	Suitability test (prior IRS approval required)	<b>3a</b>
<b>b</b>	Cash distribution test (attach the required schedule)	<b>3b</b>
<b>4</b>	<b>Qualifying distributions.</b> Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	<b>4</b> 1,109,000.
<b>5</b>	Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b	<b>5</b> 0.
<b>6</b>	<b>Adjusted qualifying distributions.</b> Subtract line 5 from line 4	<b>6</b> 1,109,000.

**Note.** The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years.

Form **990-PF** (2013)

# Expenditure Responsibilities

- Pre-Grant Inquiry
- Written Agreement
- Reporting
- 990-PF Disclosure
- Separation of Funds
- Penalties

# Common Mistakes

- Bylaws
- Credit Cards
- Tax Period
- Basis of Accounting
- Timing of 5%

# Overview of O'Connor Davies

- Founded in 1891
- Ranked within the Top 40 Firms in the United States according to *Accounting Today*
- Seven offices with 500 people, including 84 partners
- Member of PKF network – national/international
- Servicing over 200 Private Foundations
- Servicing over 1500 Not-for-Profit organizations