

# FINANCIAL ASSISTANCE AND GRANTS BY NON-PROFIT ORGANIZATIONS TO INDIVIDUALS

## YES, NON-PROFITS CAN GIVE FINANCIAL ASSISTANCE TO INDIVIDUALS!

Section 501(c)(3) of the Internal Revenue Code provides that an organization that qualifies for exemption from income tax is one that is “organized and operated exclusively” for charitable purposes. Thus, charities are required to use their assets for charitable purposes. Grants to individuals are not prohibited, provided they are made to further charitable purposes.

There are two avenues organizations can explore when considering disbursing funds directly to individuals.

It is strongly recommended that organizations consult with a Certified Public Accountant (CPA) to determine appropriate financial reporting practices.

### DISASTER RELIEF FUNDS:

Funds disbursed to individuals can be considered Disaster Relief Grants and do not require approval of the IRS. A cash grant can be made to address an individual’s need arising out of a disaster or emergency. The kinds of needs include but are not limited to: medical costs, temporary housing, financial aid to enable remaining at home or to meet rent or mortgage payments on a primary home.

By following the below guidelines and documenting correctly organizations can grant funds to individuals:

✓ **REVIEW BYLAWS:**

Make sure your organization’s governing documents allow for grants to be made to individuals

✓ **DOCUMENT:**

Grants to individuals are considered charitable and in line with 501c3 status as long as the organization can demonstrate that the recipient of funds is in line with the charity’s exempt purpose.

Where a cash grant is made to address an individual’s need arising out of a disaster or emergency, an assessment must be made of that person’s need at the time of the distribution. Organizations must demonstrate that the recipient of funds is part of a charitable class and keep such documentation.

✓ **CHARITABLE GRANTS ARE NOT PAYMENT FOR SERVICES OR COMPENSATION:**

Because these funds are considered charitable grants, and not seen as payment for services or compensation, organizations should not need to issue 1099s for funds disbursed.

[Go here](#) for more information.

## **GIFTING:**

Gift-giving is the transfer of an asset to another individual. The transfer cannot be contingent upon an event or action and the donor cannot have the ability to get the asset back. Per IRS, individuals can give up to \$14,000 annually to others without the donee needing to pay taxes.

This rule applies to gift-giving between individuals. It is unclear if it also applies to transactions between organizations and individuals, therefore it is strongly encouraged to consult with a CPA to determine appropriate practices.

[Go here](#) for more information.