Section 501(c)(3) Organizations
Operated for Charitable Purposes

509(a) Public Charities

- (a)(1) Churches, schools, hospitals, substantial part public support
- (a)(2) More than 1/3 public support
- (a)(3) Supporting Organizations
  - Type I SO Parent/subsidiary relationship with supported organization(s)
  - Type II SO Brother/sister relationship with supported organization(s)
  - Type III SO Operated in connection with supported organization(s)
    - Functionally Integrated Type III SO No expenditure requirement
    - Non-Functionally Integrated Type III SO Payout 85% of adj. net income

Private Foundations

- Operating (Primarily provides direct charitable services)
- Non-Operating (Primarily grantmaking)
  - Qualifying dist. Must expend 85% of net income (up to 4.25% of assets) actively conducting its exempt activities and either expend 3 1/3% of fair market value of assets on such activities or meet an assets test
  - Qualifying dist. 5% of assets

*Subject to certain restrictions, most organizations described in section 509(a) of the Code may be a DAF sponsoring organization, although most sponsoring organizations are described by section 509(a)(1) of the Code.

Source: Report to Congress on Supporting Organizations and Donor-Advised Funds, Department of the Treasury, 12/11, p. 10