



## **Grantmaking and Due Diligence Policy and Procedures**

### **Policy**

The Greater Salina Community Foundation is committed to the principles of good grant making and due diligence that includes, but is not limited to, the following:

- Grants are only made for charitable purposes.
- Grants are only made to organizations that are financially stable and well managed and grants are only made for projects that are well-conceived and that the Foundation's Board of Directors believes likely to be successful.
- No staff member, or staff member's family shall personally receive benefits from any grant. Further, no advisor, volunteer, donor, or any other related party who is involved in the grant review or recommendation of a grant shall receive benefits from any grant.
- Grants are to be used by each grantee for the appropriate purposes as approved by the Board of Directors.
- In some instances, the Foundation will exercise expenditure responsibility over certain grants as required by the Pension Protection Act of 2006.

### **Procedures**

#### **1. Grants are only made for charitable purposes.**

The Executive Director and grant making staff are responsible for ensuring that all grants are for charitable purposes and that the proposed project falls within the scope of the organization's charitable mission. In the case of competitive grants, an official representative of the grantee must sign a "Grant Agreement Form".

In the case of donor directed grants, such as donor advised and designated fund grants with a specific charitable purpose, a letter explaining the terms of the grant is included with the grant check that states that by accepting the grant, the grantee certifies that the grant will be used solely for the charitable purpose as intended by the donor.

Federal legislation prohibits a donor advised fund from making grants, loans, compensation or

similar payments (including expense reimbursements) to donors, advisors or other disqualified persons. Nor shall any disqualified person receive more than “incidental benefit” from a fund or from any grant recipient receiving a distribution from the fund. Thus, grants from donor advised funds may not be used to pay for anything that might be perceived as a material benefit to the donor, advisor or other disqualified person – including dinner tickets, membership fees, golf fees, admission tickets or other gifts. If sponsorship of a fundraising event includes a material benefit, a grant from a donor advised fund cannot be used for this purpose. Further, the IRS has taken the position that the charitable and non-charitable portion of a ticket are inseparable and the donor/advisor cannot correct the private benefit problem by offering to pick up the “non-charitable” portion of the ticket. Community Foundation grants must be entirely for charitable purposes.

- 2. Grants are only made to organizations that are financially stable and well managed and grants are only made for projects that are well-conceived and that the Foundation’s Board of Directors believes likely to be successful.**

Grantmaking staff is responsible for the thorough review of each competitive application received by the Foundation. If the grant application is from an organization that is other than a qualified charitable organization, defined as 501(c)(3) public charities, and government, education, and religious entities, additional research and assessment (expenditure responsibility) will be undertaken. The procedure for expenditure responsibility is described below.

In the case of donor advised fund grants, the staff researches, and, if necessary, contacts each grantee to determine its 501(c)(3) status. The Foundation typically does not make donor advised or designated fund grants to organizations other than 501(c)(3) public charities, government, education, and religious entities.

- 3. No staff member, or staff member’s family shall benefit from any grant. Further, no advisor, volunteer or donor who is involved in the grant review or recommendation of a grant shall benefit from any grant.**

On an annual basis, all staff, volunteers, and board members complete conflict of interest statements indicating that they will disclose any potential conflicts. If a board member or volunteer has a conflict with a particular grant application, then the person will abstain from voting on the grant recommendation.

In the case of donor advised grants, each donor/advisor must indicate that they receive no benefit from each grant they recommend. Each donor/advisor receives a copy of the Donor Advised Fund Guidelines that clearly states that no grants may be recommended that will result in any type of benefit back to the donor/advisor or his/her family.

- 4. Grants are used by each grantee for the appropriate purposes as approved by the Foundation’s Board of Directors.**

All competitive grants require a written final report including a description of how the grant was

spent. If the funds were not used for the intended purpose, the Foundation asks for the funds to be returned.

## 5. Expenditure Responsibility.

The Foundation shall exercise expenditure responsibility for: grants to non-charities; grants to international organizations without a US nonprofit status or determined equivalent; grants to private, non-operating foundations; and grants made from donor advised funds to organizations other than those described in section 170-(b)(1)(A), type III supporting organizations that are not “functionally integrated” and any supporting organization if the donor or a related party controls or serves on the board of that supporting organization; or if the organization it supports is controlled by the donor or donor appointee.

Foundation staff will determine if an organization falls within the above three categories by using one of the following sources to determine status: a review of the organization’s tax status determination letter from the IRS; consulting readily available informational databases that specialize in reporting on non-profit companies; receipt of written opinion of counsel; or receipt of written representation from grantee combined with sponsoring organization review of supporting organization’s governing documents, including a list of its board members, and written representations from each supported organization.

**Where expenditure responsibility is required the Foundation will follow the procedure described below:**

- a. **Pre-grant research:** The Foundation will conduct a reasonable investigation of the grantee to assure that the grantee possesses the capacity to perform the charitable activity to be funded by the grant.
- b. **Written agreement:** The grantee organization will sign a written agreement which will define the charitable activities that will be accomplished with the granted funds. In most circumstances, general purpose funds are not permitted.
- c. **Separate accounting:** Unless the grantee is another private foundation, the grantee must establish a separate account for the granted funds. Charitable dollars may not be co-mingled with non-charitable dollars.
- d. **Regular reports:** The grantee must provide regular status reports on the expenditure of the funds and the progress made in fulfilling the charitable purpose as defined in the written agreement.
- e. **Report to IRS:** For any year in which a grant was made by the Foundation that requires expenditure responsibility, and if required on the federal tax return, the Foundation shall indicate that such payments were made and complete the appropriate schedule to said tax return. The schedule shall include a brief description of each expenditure including grantee name, expenditure amount, charitable purpose of expenditure and current status of the grant.

# Grantmaking Due Diligence Checklist

## 1. All Grant Types

- a. All competitive grants are submitted online, using **approve** software.
- b. All grant proposals are reviewed by Foundation staff.
- c. All grant proposals are approved by Executive Director, Director of Finance, or Director of Regional Affiliates.
- d. Grants may be made to public charities, and education, religious, or government entities for charitable purposes. Staff will verify public charity status, using readily available informational databases that specialize in reporting on nonprofit entities or IRS listings of exempt organizations.
- e. In exceptions cases, grants may be made to other entities, including for-profit businesses if there is a clear charitable purpose, using expenditure responsibility as defined above.
- f. No grants will be made to an individual, except in extraordinary circumstances.
- g. All grants must comply with donor intent.
- h. All donor advised fund grant requests must have final approval from the Executive Director, Director of Finance, or Director of Regional Affiliates.
- i. Staff Accountant prepares grant checks upon receipt of approved applications.
- j. Executive Assistant prepares cover letter explaining grant award and any conditions or restrictions, and mails the check.

## 2. Unrestricted and Field of Interest Fund Grants

- a. Prior to grants committee review, Foundation staff review all grant proposals for:
  - i. Compliance with fund guidelines and criteria
  - ii. Completeness of application
  - iii. Clarity of request
  - iv. Definition of need and community impact
  - v. Project timeline, goals and projected results
  - vi. Project budget

## 3. Designated Fund Grants

- a. When designated funds are created, verify each designee is a public charity, educational, religious or government entity.

- b. If the Foundation elects to make an expenditure responsibility grant, it will follow the expenditure responsibility procedure as listed above, and in addition, may elect to withhold payment of the grant until proof of completion is submitted.
- c. Record into the database the Tax ID of each designee
- d. Designated fund payouts are issued each May unless requested otherwise. Exceptions are noted in database for alternate payout dates.

#### **4. Organization Fund Grants**

- a. When organization funds are established, verify that the organization is a public charity. If it is a government entity (public library, municipality, etc.), verify that it is permissible under Kansas law.
- b. Organization fund payouts are issued at the request of the organization.

#### **5. Donor Advised Fund Grants**

- a. No grants will be issued to an individual, or for a pre-determined scholarship
- b. No grants will be issued in payment of a legally enforced pledge.
- c. No grants will be issued for bifurcated expenses (i.e. event tickets that are partly reimbursement for a meal, and partly for the charity).
- d. No grants will be issued to a private non-operating foundation.
- e. No grants will be issued, including expense reimbursements, to donors, advisors, or related parties.
- f. If a grants is requested for a public charity that is a Type III supporting organization, or is controlled by the donors, the fund advisor, or related party, then the Foundation will either refuse the grant or exercise expenditure responsibility as outlined above. Control is defined as the donor, advisor, or related persons may, by aggregating their votes or positions of authority, require or prevent a supported organization to make an expenditure.
- g. If the Foundation elects to make an expenditure responsibility grant, it will follow the expenditure responsibility procedure as listed above, and in addition, may elect to withhold payment of the grant until proof of the project completion.