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POLICY

Eau Claire Community Foundation
For Good. For Ever.

GRANT MAKING AND DUE DILIGENCE POLICIES AND PROCEDURES

SECTION I - POLICY

The Eau Claire Community Foundation's Board of Trustees has adopted this Policy to assist the Foundation's director, officers, employees, agents, and fiduciaries (which include supporting organizations, affiliate funds, and volunteers) in fulfilling their obligations and commitments.

The ECCF is committed to the principles of good grant making and due diligence that include, but are not limited to, the following:

- Grants are only made for charitable purposes.
- Grants are only made to tax exempt organizations that are in good financial health, well managed, and requesting funds for projects that are well-conceived and likely to be successful.
- No benefits shall accrue from any grant to any ECCF staff member or staff member's family. Further, no benefit from any grant shall accrue to any advisor, volunteer or donor who is involved in the grant review or recommendation of a grant.
- Grants are used by each grantee for the appropriate purposes approved by the ECCF Board of Trustees.
- Grants are never made directly to an individual beneficiary.
- In the fund agreement with ECCF, the donor's signature acknowledges that the final decision on grant awards rests with the Board of Trustees whose charge it is to ensure all distributions meet the regulations of the IRS and are compatible with the policies and purposes of the Eau Claire Community Foundation.

Grants awarded through the ECCF's competitive cycle:

- Originate in the Eau Claire area and demonstrate strong volunteer involvement.
- Promote collaboration and reduce service duplication.
- Help people help themselves.
- Build upon strengths of our community.
- Apply ECCF's limited resources where they will make a tangible difference in meeting important community needs.
- Do NOT fund routine operating expenses, annual campaigns, debt retirement, and direct support of individuals, endowments, lobbying or sectarian causes.

Section II – RESPONSIBILITIES OF GRANT MAKING

Grants are only made to well-managed organizations in good financial health, and grants are only made for well-conceived projects likely to be successful.

ECCF Staff Due-Diligence Responsibilities

The ECCF staff is responsible for the thorough review of each competitive application received by the Foundation. The result of this review is provided in writing to Grants Committee members before the meeting to discuss grant applications. A summary is also prepared for the Board of Trustees for review and consideration when it makes the final decisions regarding grant awards. The review includes, but is not limited to:

- Reviewing the agency's financial audit
- Checking the proposed project budget
- Checking the applicant's legal name and its tax exempt determination letter or other applicable documentation
- Ensuring that the fund that will support the grant is appropriate given the charitable purpose of the fund as established by the donor(s)

ECCF Grants Committee Responsibilities

- Review program outcomes and objectives
- Check the proposed project budget
- Determine the project's overall potential impact on the community
- Ensure that any Field of Interest Funds that will support the grant are appropriate given the charitable purpose of the fund as established by the donor(s)

Supporting Organization Grants Responsibilities

- School district grant requests to be covered by unrestricted, field of interest, and designated grant dollars at the request of the school principal or as directed by the supporting organization require ECPSF Board approval. Once approved, schools must spend the dollars *before* the grant check is sent to the
- school district as reimbursement.
- The ECPSF Executive Director verifies that the dollars were spent as approved by the ECPSF Board.
- Required approvals are documented in Supporting Organization minutes.

Grants from Unrestricted and Field of Interest Funds

1. Foundation staff reviews all grant proposals.

2. Areas reviewed include:
    a. Is the application complete, including attachments?
    b. Is it signed by authorized parties?
    c. Is the request clear?
    d. Does it meet the eligibility requirements for the fund or program?
    e. Is the applicant a tax-exempt public charity, religious institution, government organization, or private operating foundation in good legal standing with the IRS?

3. Charitable status and charitable purpose:
    a. Grants may be made to public charities, defined as organizations described in section 501(c)(3) and 509(a)(1), (a)(2), or (a)(3), and to private operating foundations. The Foundation will not normally make grants to private non-operating foundations.
    b. Grants may also be made to units of government for public purposes. This includes Native American tribal governments.

    c. In exceptional circumstances, grants may be made to other types of nonprofit organization and to businesses. Using expenditure responsibility as a guideline, the Foundation will carefully supervise any such grants to ensure that the use of its funds is solely for charitable purposes.

4. Verification of public charity status: The Foundation will use one or more of the following methods to verify a potential grantee's charitable status
    a. Internal Revenue Service, Exempt Organizations Select Check, http://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check.
    b. Internal Revenue Service Business Master File
    c. Grantee's Internal Revenue Service determination letter or group ruling letter identifying grantee as included in the ruling
    d. MicroEdge Tax Status Plus
    e. GuideStar's Charity Check
    f. Verification of church status for houses of worship and affiliated schools not found on the above lists

5. Verification of units of government:
    a. In most cases, the Foundation will maintain a copy or screen shot of the home page for a political subdivision (city, county, town, school district, etc.).
    b. For Native American tribal governments, the Foundation will consult the list maintained by the Department of the Interior's Bureau of Indian Affairs. The 2014 list is at http://www.bia.gov/cs/groups/public/documents/text/idc006989.pdf.
    c. Staff will analyze, with assistance of counsel, if necessary, situations in which governmental status is not clear.

6. Contact the potential grantee. This may be by telephone, site visit, meeting or e-mail.

7. Depending on the size of the grant, conduct a site visit. Staff may also:
    a. Interview key staff identified in the grant proposal
    b. Interview collaborative partners
    c. Interview other funding sources

8. Determine the project's overall potential impact on the community

9. Review program outcomes and objectives

10. Review financials and audit

11. Review organization's Form 990, where applicable, especially for business practices

12. Review proposed project budget

Designated Funds
Before establishing a designated fund, the Foundation verifies that the proposed designee is a public charity or unit of government. Grants generally are paid once each year and follow the ECCF Distribution Policy.

Agency Endowment Funds
Before establishing an agency endowment fund, the Foundation verifies that the organization seeking to establish the fund is a public charity. Agency grants are paid out to the relevant organization named in the fund, generally once each year.

Grants from Donor Advised Funds

1. The Foundation will not make the following types of grant from a donor advised fund:
    a. Grants to individuals, including grants payable to a school, college or university for the benefit of an individual selected or recommended by donor advisors.
    b. Grants or other similar payments, including expense reimbursements, to donors, advisors, and related parties.
    c. Any grant for a purpose that is not charitable.
    d. Any grant to a private non-operating foundation.

2. The Foundation will make grants from donor advised funds to most public charities and units of government.
    a. The Foundation will follow the verification process outlined above to verify public charity status.
    b. In addition, the Foundation will follow the Process for Determining Supporting Organization Status outlined in the next section to determine whether a potential public charity grantee is a Type III supporting organization that is not functionally integrated or supports an organization controlled by the donor, fund advisor, or related persons. If either of these conditions is present, the Foundation will either refuse the grant or exercise expenditure responsibility.

3. The Foundation will not normally make grants from donor advised funds that require the exercise of expenditure responsibility. This includes grants to nonprofit organizations that are not public charities and grants to businesses.

4. If the Foundation elects to make an expenditure responsibility grant, it will follow the following process:
    a. The Foundation will conduct a pre-grant inquiry to determine whether the proposed grantee is reasonably likely to use the grant for the charitable purposes and that the grantee is able to perform the proposed activity.
    b. The Foundation and grantee will sign a written grant agreement that specifies charitable purpose of the grant and includes all provisions required by Treasury Regulations, which prohibits use of the funds for lobbying activities, and requires the grantee to return any funds not used for the designated purposes.
    c. The grantee will be required to maintain the grant funds in a separate account on the grantee's books so that charitable funds are segregated from non-charitable funds.
    d. The grantee will be required to submit a written report summarizing the project promptly following the end of the period during which it used all grant funds and to submit any interim reports the Foundation may require.
    e. The Foundation will keep documentation about the grant with a brief description of the grant, amount, charitable purpose, current status of the grant, and grant report form following the Foundation's Document Retention policy.

Other Grantmaking Requirements

1. The Board delegates and authorizes the Executive Director to approve grants to organizations qualified as public charities under Section 501(c)(3), or to nonprofit hospitals, schools, or churches, up to

$5,000 from the following types of funds: designated, designated scholarship, and donor advised, provided that the Board is informed of all such grants at the next available Board meeting, and provided that such grants are consistent with the mission of the Foundation. The authorization excludes the grant application process for approvals for unrestricted and field of interest funds.

The Board of the Supporting Organization delegates and authorizes the Executive Director to approve grants to schools from unrestricted and field of interest funds up to $1,000.

2. Interfund transfers follow the same policy detailed in section 1 under "Other Grantmaking Requirements." internal transfers are not reported in ECCF grant totals until they're distributed from the recipient funds to nonprofit organizations outside ECCF. Interfund transfers will have "Interfund gift from FUND NAME to FUND NAME" and, if they're more than $5000, the Board approval date in the transfer description. Transfers from ECCF funds to ECPSF funds will be processed as "Internal Grants" and reported in ECCF grant totals.

3. Grants are normally awarded for one time proposed projects. The recipient organization must adhere to the project dates and proposal, as approved by the Grants Committee, and contact Foundation staff with any revisions for approval.

4. All competitive grant recipients are required to submit a completed final report upon completion of their project as required by the Foundation. Reporting may not be required for grants under $500. If the funds were not used for the intended purpose, the ECCF may request that the funds be returned.

5. Letters of request are required for grant extensions or for reallocating grant dollars for purposes other than the approved grant application, and require final approval by the Board of Trustees.

6. Unless the donor wishes to remain anonymous, the ECCF identifies to the grantee the name of the fund from which the grant is made and the donor who made the recommendation.

7. Advisors are requested to make recommendations of grants in the amount of $250 or more.

8. Grants cannot be made to foreign charities.

Notification Procedure

Following the Board of Trustees approval of grant awards, grant recipients are notified by mail or email. A Grant Acceptance Agreement, to be signed by the grantee organization's president or executive director, is required. Upon receipt of the signed Grant Acceptance Agreement, ECCF will issue a check to the grantee. Organizations whose proposals did not receive funding are notified by letter or email. The ECCF may include guidance for future proposal submission. A press release announcing the competitive grant recipients is distributed to newspapers in the region and posted on the ECCF website.

SECTION III - Process for Determining Supporting Organization Status

Supporting organizations receive public charity status from the IRS due to their particular relationship with another publicly supported charity or government unit. Based on that relationship, a supporting organization is defined as Type I, Type II, or Type III. Type III supporting organizations are further defined as functionally or non-functionally integrated. The Foundation must exercise expenditure responsibility if it makes grants from a donor advised fund to any type of supporting organization that supports a public charity which is controlled directly or

indirectly by the donor, donor advisor, or a related person. Expenditure responsibility is also required for grants to any non-functionally integrated Type III supporting organization.
The Foundation will take the following steps to determine whether a grant recommendation from a Donor Advised Fund requires expenditure responsibility because the grantee is a supporting organization:

1. Verify that the organization is a public charity by checking its status in IRS Publication 78, the organization's IRS determination letter, MicroEdge Tax Status Plus, or IRS E.O. Select Check.

2. Determine if the public charity is a supporting organization from one of the following sources:
    a. The IRS Business Master File (BMF) and the potential grantee's IRS determination letter, or
    b. A report from a third party that includes:
        i. the grantee's name, EIN, and public charity classification under 509(a)(1), (2), or (3);
        ii. a statement that the information is from the most currently available IRS monthly update to the BMF, along with the IRS BMF revision date;
        iii. the date and time of the grant maker's search. The grant maker must retain this report in electronic or hard-copy form.

3. <u>Determine the type of Supporting Organization</u> from one of the following sources:
    a. For Type I or Type II supporting organizations a written representation signed by an officer, director, or trustee of the grantee if both of the following are true:
        i. The representation describes the process used for selecting the grantee's officers, directors, or trustees and references the pertinent provisions of the grantee's organizing documents that establish the grantee's relationship to its supported organization.
        ii. The grant maker collects and reviews copies of the grantee's governing documents. If the grantee's governing documents are not sufficient to establish the relationship, the grant maker must also collect organizing documents from the supported organization.
    b. To determine whether a Type III supporting organization is <u>functionally integrated</u> the Foundation will do the following:
        i. Obtain the grantee's written representation identifying the organization it supports.
        ii. Collect and review the grantee's organizing documents (and those of the supported organization if necessary).
        iii. Collect a written representation signed by an officer, director, or trustee of each supported organization stating that substantially all of its activities directly further the exempt purposes of the supported and, but for the involvement of the supporting organization, its activities are ones that normally would be engaged in by the supported organization.
    c. Alternatively, the Foundation may rely on a reasoned written opinion of counsel of either the grantee or the Foundation in making the determination that a supporting organization is a Type I, Type II, or functionally integrated Type III supporting organization.

4. Once the Foundation has determined that a potential grantee is a supporting organization and is not a Type III non-functionally integrated supporting organization (for which expenditure responsibility is automatically required), the Foundation, will determine whether the donor, donor advisor, or related parties control the supported organization.
    a. Control will be found to exist if any donor, donor advisor, or related persons may, by aggregating their votes or positions of authority, require a supported organization to make expenditure, or prevent a supported organization from making expenditure.

b. The Foundation will request certification from either the donor or advisor or directly from the supported organization that the donor, advisor, or related parties do not control the supported organization.

Revisions:

Approved 9.14.2016 – page 5, other Grantmaking Recommendations # 3 added last sentence and added #4.

Approved 7.27.2017 – page 4, further details were added to the process of expenditure responsibility grant.

Approved 10.11.2017 – page 4-5, Increased authorization for Executive Director to approve grants from up to $1000 to $5000. Removed that it should not to exceed $10,000 per month.

Approved 4.26.2018 – page 5, increase donor advised fund grants to $250.

Approved 7.20.2018 – page 5, inter-fund transfers.

Approved 12.06.2019 – page 1, Addition of affiliate funds.

Approved 3.04.2020 – page 5, Intrfund transfers are not considered a grant until it is disbursed clarification.

Clarification 3.03.2021 – page 5, Internal Grants and Interfund Gifts