



**COMMUNITY  
FOUNDATION**  
*of Western Nevada*

## **COMMUNITY FOUNDATION OF WESTERN NEVADA DUE DILIGENCE POLICY**

### **I. Purpose**

“Due diligence” is the process of review that precedes the approval of a grant. The primary purpose of due diligence is to ensure that grants are made for purposes that are consistent with IRS regulations (i.e., charitable purposes) and that the organization receiving the grant is both legitimate and capable of carrying out the purpose for which the grant is intended.

While there is no comprehensive legal definition of the term “charitable,” the IRS describes charitable purposes as follows:

The term “charitable” is used in its generally accepted legal sense and includes relief of the poor, the distressed or the underprivileged; advancement of religion, advancement of education or science; erection of public buildings, monuments or works; lessening the burdens of government; lessening of neighborhood tensions; elimination of prejudice and discrimination; defense of human and civil rights secured by law; and combating community deterioration and juvenile delinquency.

The IRS recognizes a far wider range of charitable organizations than is contained in the above definition, notably those in the areas of the arts and environmental groups. As a broad guideline, charitable activities generally are those that benefit whole classes or large groups of individuals or communities, involve no personal or private financial benefit and do not involve lobbying or electioneering.

### **II. Grants for Charitable Purposes**

All grants made by the Community Foundation of Western Nevada (CFWN) shall be for charitable purposes.

The determination of whether an organization’s activities are charitable is made by the IRS in assigning a tax-exempt status. CFWN verifies charitable status by:

- a. Verifying charitable status using the GuideStar website.
- b. Obtaining a copy of the 501(c)(3) letter directly from the grantee organization if the organization is newly organized or not listed on GuideStar.

CFWN may also make grants to unincorporated groups and non-501(c)(3) organizations *when the grants are for a charitable purposes*. Grants made from donor-advised funds to non-501(c)(3) organizations must follow expenditure responsibility procedures, for which CFWN may charge additional expenditure responsibility fees.

In accordance with requirements for expenditure responsibility per the Pension Protection Act (HR4-2006), grants from Donor-Advised Funds may only be made to organizations described in section 170(b)(1)(A) of the Internal Revenue Code, type I and II supporting organizations, and type III supporting organizations only if they are “functionally integrated.”

Under no circumstance will a grant from a Donor-Advised Fund be made to any supporting organization if the organization it supports is controlled by the donor or donor appointee. Grants outside the United States from Donor-Advised Funds are permitted when the grantee meets CFWN's criteria. That criteria includes:

- a. Verification that the non-U.S. grantee is the equivalent of a U.S. public charity
- b. Completion of an Affidavit Packet for Non-U.S. Grantees

### **III. Grants from Donor-Advised Funds**

CFWN follows the following procedures for grants made from Donor-Advised funds: Grants from Donor-Advised Funds for the following are expressly prohibited:

- a. For the purpose of supporting lobbying
- b. For the purpose of supporting nonpartisan voter registration activity
- c. To a private foundation
- d. For a scholarship
- e. For the benefit of an individual
- f. To type III supporting organizations that are not functionally integrated
- g. To any supporting organization that is controlled by the donor or donor appointee
- h. To an organization for the purpose of paying for an event, membership, or any purpose for which the donor or related parties will receive a tangible economic benefit, which includes bifurcated grants to charities
- i. Any grant which would impose penalties on the sponsoring charity and fund managers, per Section 1231 of the Pension Protection Act of 2006, such as bifurcated grants.

### **IV. Expenditure Responsibility Procedures**

The Foundation has adopted these expenditure responsibility procedures to ensure that grants from donor-advised funds are used for a charitable purpose, and that appropriate oversight and documentation of the grant is maintained:

- a. Pre-grant due diligence
  - i. Grant recommendations from donor advisors shall be submitted on the approved Community Foundation of Western Nevada form or shall otherwise contain language verifying that the donor will not receive any material benefit as a result of the grant.
  - ii. Program Officer verifies that the recommended grant is consistent with the donor agreement.
  - iii. Program Officer verifies that the recommended grantee is a qualified charitable organization and that the grant recommended is for wholly charitable purposes and not for any of the prohibited purposes stated above.

Should the Program Officer not have sufficient information to determine that the recommended grant meets the criteria, the donor-advisor and/or grantee will be contacted to secure additional information prior to Foundation approval of the grant.

## **V. Approval of Grants and Scholarships**

All grants and scholarships, including all donor-advised grant recommendations, are reviewed and approved by the Board of Trustees.

## **VI. Distribution of Grants**

Prior to distribution of the grant, correspondence is prepared that details any restrictions on the use of the grant by the qualified charitable grantee organization. Depending on the size of the grant and/or the reporting requirements, the grantee may be required to sign a grant acceptance agreement prior to being given the grant check.

The correspondence includes that upon receipt and deposit of the grant the recipient organization certifies that the donor-advisor and related parties is not receiving any tangible economic benefit, and that the funds will not be used for lobbying activities.

Grants are distributed by mail, and sent certified if the amount of the check is \$50,000 or more.

## **VII. Noncompetitive Grants**

Non-competitive grants may include grants from area of interest funds, organizational endowments, agency funds, and designated funds:

- a. Due diligence activities are specified by the terms as outlined in the fund agreements. The Program Officer maintains oversight of all grants to ensure that non-competitive grants that are not from Donor Advised Funds are made in accordance with terms as per fund agreements.
- b. Noncompetitive grant recommendations are submitted by staff to the Board of Trustees for approval.
- c. Should terms as outlined in the fund agreement designate a use of the funds for other than general support, Program staff may choose to do a Grant Acceptance Agreement if the purpose and/or the amount of the grant warrants it.
- d. Each Grant Acceptance Agreement includes a date when certain progress and/or final reporting requirements must be met by the Grantee. The Program Officer tracks due dates to ensure that reports are received.
- e. The Program Officer reviews grantee reports as received to verify that the use of funds was in accordance with the terms. The Program Officer maintains contact with grantees to ensure that reports adequately meet requirements.
- f. If terms are not met, then future grants are withheld until such time as the grantee complies or the Board uses the variance power to redirect the funds to another charitable purpose.

## **VIII. Competitive Grants from Donor-Advised Funds**

- a. Prospective grantees provide timely submission of a written proposal that responds to the Community Foundation's RFP instructions for submitting a competitive grant;
- b. Staff conducts a review of all grant applications to verify adherence to instructions and compliance with all terms as outlined in the RFP.
- c. Qualified applications are reviewed by a Grant Recommendation Committee specific to the Fund from which the grant monies will be distributed. Staff facilitate meetings of Grant Recommendations Committees, take minutes, and ensure that the review process for competitive grants use the specific fund's evaluation criteria. Recommendations are submitted to the Board of Trustees for approval.

- d. A Grant Acceptance Agreement shall be signed by grantees at acceptance of the grant. Agreements are crafted to ensure grantee compliance and adherence to the terms of the grant, and include language to verify the required use of funds, with performance measurements such as outcomes, receipts, service delivery, or other objective criteria and verification requirements.
- e. Each Grant Acceptance Agreement includes a date when certain progress and/or final reporting requirements must be met by the Grantee. The Program Officer tracks due dates to ensure that reports are received.
- f. The Program Officer reviews grantee reports as received to verify that the use of funds was in accordance with the terms. The Program Officer maintains contact with grantees to ensure that reports adequately meet requirements.
- g. Progress and final reports are given to appropriate Foundation committees and to the Board, and to members of the Grant Recommendation Committee.

If terms are not met, then future grants are withheld until such time as the grantee complies or the Board uses the variance power to redirect the funds to another charitable purpose. In some cases organizations will be asked to return some or all of the grant funding.

## **IX. Grant Reporting**

All grants made are reported on Form 990, including a brief description of the grant, the amount, and the charitable purpose.

the Program Committee may request reports regarding restricted grants and requirements of grantees. This information may then be submitted to the Board of Trustees for review.