



# Grantmaking and Due Diligence Policy

## All Funds

### Policy Statement

The following policy serves to guide the Board of Directors and staff of The Alaska Community Foundation (the Foundation) in its program and grantmaking activities. It creates a program and grant approval process that is not an administrative burden on staff and Board members, allows for thorough due diligence, and assures a timely response to grant fund recommendations and program opportunities.

### Purpose & Scope

A goal of the Foundation's community philanthropy efforts is to collaborate with our key stakeholders to identify community needs that can be addressed through strategic programs and grantmaking statewide. By focusing on collaboration, we hope to leverage our resources and avoid duplication and dilution of efforts throughout the state. The approach would assure inclusion of key stakeholders, assure high impact, and result in clear outcomes while providing fund advisors an opportunity to connect with the Foundation in a meaningful way, which will help define our organization in a positive way and attract more funds and engagement. The Foundation respects and values our diverse communities as essential components in creating a sustainable quality of life for all Alaskans. We do not discriminate as to race, gender, marital status, sexual orientation, age, disability, creed, or ethnicity and we encourage applicant organizations to uphold values of diversity, equity and inclusion.

This policy seeks to engage the Board in the development of strategic programs and grantmaking opportunities. In addition, this policy empowers staff to conduct routine business and ensures engagement of the Board on those decisions that are larger than routine.

### Considerations for Grantmaking

Refer to the Scholarship Awarding Policy for specific guidelines on scholarship awarding.

### Due Diligence Process For Non-Competitive Grants (Designated, Agency, Donor Advised)

1. Staff reviews all grant recommendations submitted on the Grant Recommendation Form. This review includes:
  - Verification that the grantee organization is listed in Section §170(b)(1)(A) of the Internal Revenue Code [501(c)(3) (509(a)(1), 509(a)(2), or 509(a)(3) (that does not require expenditure

responsibility) in good standing, through GuideStar, IRS Charity Search function or the IRS Business Master File (BMF)]; or is an equivalent organization (schools, churches, government agencies and programs, or a Federally recognized tribal organization);

- Confirmation the grant award does not benefit the fund advisor(s) or grant recommendation committee (excluding agency funds)
  - Confirmation the grant award does not fulfill a pledge
  - Confirmation the fund has appropriate balance to make the grant
  - Confirmation grant recommendation is in line with the purpose of the fund
  - Confirmation of appropriate authorized signatures
  - Confirmation the grant is for a charitable purpose
2. Once staff has reviewed the grant recommendation form for completeness using the above steps, applications are awarded per the relevant grantmaking section of this policy.
  3. The Foundation's Board of Directors ratifies a full list of grants at every subsequent board meeting.

### **Due Diligence Process for Competitive Grants (Unrestricted, Field of Interest, and Donor Advised Funds)**

1. Staff creates a competitive grant process (guidelines, application, evaluation questions, follow-up reports, etc.), or works with a Board or advisory committee to do so. Actions and review process includes:
  - Open the grant cycle to applications and publicize on the Foundation's website and social media outlets
  - Reviews each application for completeness assuring all requested information is provided, including project budget, outcomes and objectives, and review of financial statements when required in application
  - Verification that the grantee organization is listed in Section §170(b)(1)(A) of the Internal Revenue Code or is an equivalent organization (schools, churches, government agencies and programs, or a Federally recognized tribal organization)
  - Grant applications are reviewed in a fair and open process which determines a slate of recommended awards
  - Confirmation the grant award does not benefit the grant review committee or its individual members
  - Confirmation the fund has appropriate balance to make the grant
  - Confirmation grant recommendation is in line with the purpose of the fund
  - Confirmation the grant is for a charitable purpose
2. Once staff has reviewed the slate of grant awards using the above steps, applications are awarded per the relevant grantmaking section of this policy.
3. The Foundation's Board of Directors ratifies full list of grants at every subsequent board meeting.

### **Additional Due Diligence for Donor Advised Funds Grant Recommendations**

Certain types of grants are prohibited under Pension Protection Act of 2006 for Donor Advised funds. They include:

- Grants to individuals, including grants made directly to an organization for the benefit of a specific individual (ex: grant to a school)

- Grants to donors, advisors or related parties
- Grants for non-charitable purposes.

For Donor Advised grants awarded through a competitive process, a copy of the GuideStar (or IRS) report is saved with the application in the Foundation's online grants system. For Donor Advised grants awarded through donor recommendations, the Foundation staff checks GuideStar (or IRS) and confirms on the recommendation form that the organization status was checked and the organization is eligible.

### **Additional Due Diligence for Opening Designated Funds and Agency Funds**

Before establishing a Designated fund, the Foundation verifies that the proposed designee is a public charity or unit government. Grants generally are made once each year.

Before establishing an Agency fund, the Foundation verifies that the organization seeking to establish the fund is a public charity. If a unit of government, such as a public library, asks to establish an agency fund, the Foundation will consult with counsel to determine whether this is permissible under the law of the State of Alaska. Agency grants generally are made to the relevant organization named in the fund once each year.

### **Ineligible Organizations or Activities (All Funds)**

Individuals, for profit, 501(c)(4) or (c)(6) organizations, and state or federal government agencies are not eligible for grants. Grants for endowment building, deficit financing, fundraising, lobbying, electioneering and activities of political nature will not be considered, nor will grants for activities that have the potential to support terrorism, ads, sponsorships, or special events.

### **Board Oversight (All Funds)**

The Board will approve grant advisory committees quarterly if changes occur or at a minimum once annually. The Board will ratify a full list of grants on the consent agenda of every subsequent Board meeting. Grant requests that are beyond routine, raise policy issues, or raise significant questions will be taken to the Board or Executive Committee for review and approval.

### **Conflict of Interest (Unrestricted, Field of Interest, Affiliate, Donor Advised)**

Members of all grant review committees must abide by the Foundation's Conflict of Interest and Confidentiality Policy. Our policy requires staff, volunteer advisors and Board members to disclose the nature of any personal or family affiliation or involvement with any organization for which a grant is considered, even though such affiliation may not give rise to any financial or other conflict of interest.

### **Restrictions on Grantmaking (Unrestricted, Field of Interest, Affiliate)**

No grants may be made for the following types of activities:

- Activities that will improperly discriminate as to race, gender, marital status, sexual preference, age, disability, creed or ethnicity or grants for religious indoctrination or other religious activities.
- Activities outside the State of Alaska.

### **Unrestricted Funds**

Unrestricted funds are established with contributions to the Foundation which are not made for a specific purpose and are placed in an unrestricted fund. Unrestricted funds may be utilized as part of

a competitive grant process, to support a Foundation initiative, to leverage other sources of support, and/or for general support of the Foundation’s operations if necessary.

**Selection of Unrestricted Fund Use**

At the beginning of each fiscal year, the Finance Committee will review the budget and determine whether unrestricted funds are needed to meet operating expenses and recommend to the Board on their use (i.e.: grantmaking, operation expenses, Foundation initiatives, etc.) as part of the annual budget development process. Any amount not designated to meet operational expenses will be available for grantmaking.

Once the budget has been adopted by the Board, the Program and Grants Committee may make a recommendation to the Board regarding the focus, process, and timing for the use of unrestricted funds for the year. The Committee will consider the goals, strategic plan and adopted annual work program of the Foundation in making the recommendations. Consideration will also be given to such factors as the opportunities for leveraging the available grants funds, partnerships with affiliates, partners, and donors, and statewide allocation of funds in this process.

Once the Program and Grants Committee has made a recommendation to the Board and the Board has taken action, staff will be responsible for carrying out the program/grant process in consultation with the Program and Grants Committee.

**Unrestricted Grantmaking Cycles**

When unrestricted funds are to be used for a competitive grant cycle, detailed grant guidelines will be developed and reviewed on an annual basis to make sure that they are appropriate and will result in successful completion of projects, adequate monitoring, measures of success, and have a public communications component that will be coordinated with the External Relations and Communications Committee. Grants may be made using the entire amount of unrestricted funds allocated to a competitive grant cycle, or may be divided into smaller increments.

**Unrestricted Grant Cycle Proposal Review and Award Recommendation**

The Program and Grants Committee may convene separate committees to review, evaluate, and recommend grant awards from the received unrestricted grant proposals. Staff will complete due diligence on established advisory committee membership to ensure compliance with the Foundation’s committee procedures and submit committee membership lists to the Board for review and approval annually. Non-Board members may sit on these grants committees. In the case where there is no separate committee, staff may bring grant proposals to the Program and Grants Committee to review for potential funding.

**Unrestricted Grant Award Decisions**

Type	Amount	Review/Recommend	Approval/Execution
Unrestricted Funds	<= \$25,000.00	Program and Grants Committee, or delegated committee	CEO or Board Chair (Executive Committee member may act in absence of Board Chair)
	\$25,000.01 - \$50,000.00	Program and Grants Committee, or delegated committee	CEO and Board Chair (Executive Committee member may act in absence of Board Chair)

	>= \$50,000.01	Program and Grants Committee, or delegated committee	Board or Executive Committee
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### Field of Interest Funds

Field of Interest funds are established from contributions which are made for a specific purpose and are placed in a Field of Interest fund with the Board, Program and Grants Committee, or a delegated advisory committee acting as the fund advisor. Field of Interest funds may be utilized as part of a competitive grant process, to support a Foundation initiative, to leverage other sources of support, and/or other strategic activities, within the fund’s specified focus area.

### Selection of Field of Interest Fund Use

The Program and Grants Committee will consider the goals, strategic plan and adopted annual work program of the Foundation in making the recommendations for the use of Field of Interest funds not established as part of a program.

### Field of Interest Grantmaking Cycles

When Field of Interest funds are to be used for a competitive grant cycle, detailed grant guidelines will be developed and reviewed on an annual basis to make sure that they are appropriate and will result in the successful completion of projects, adequate monitoring, measures of success, and have a public communications component that will be coordinated with the External Relations and Communications Committee.

### Field of Interest Grant Cycle Proposal Review and Award Recommendation

In the event Field of Interest funds are used as part of a competitive grant cycle, staff may convene separate advisory committees to review, evaluate, and recommend grant awards from the received grant proposals. Staff will complete due diligence on established advisory committee membership to ensure compliance with the Foundation’s committee procedures and submit committee membership lists to the Board for review and approval annually. Non-Board members may sit on these grants committees. In the case where there is no separate committee, staff may bring grant proposals to the Program and Grants Committee to review for potential funding.

### Field of Interest Grant Award Decisions

Type	Amount	Review/Recommend	Approval/Execution
Field of Interest Funds	<= \$25,000.00	Program and Grants Committee, or delegated committee	CEO or Board Chair (Executive Committee member may act in absence of Board Chair)
	\$25,000.01 - \$50,000.00	Program and Grants Committee, or delegated committee	CEO and Board Chair (Executive Committee member may act in absence of Board Chair)
	>= \$50,000.01	Program and Grants Committee, or delegated committee	Board or Executive Committee

## Affiliate Funds

Affiliate funds are established from contributions which are made for the specific purpose of benefitting a designated community and are placed in a Geographic Field of Interest fund with the delegated Affiliate Advisory Board acting as the fund recommendation committee. Affiliate funds may be utilized as part of a competitive grant process, to support a community initiative, to leverage other sources of support, and/or other strategic activities, within the fund's specified geographic area.

### Selection of Affiliate Fund Use

The Affiliate Advisory Board will consider the community's special sense of place and current/emerging needs in making the recommendations for the use of Affiliate funds.

### Affiliate Grantmaking Cycles

When Affiliate funds are to be used for a competitive grant cycle, detailed grant guidelines will be developed and reviewed on an annual basis to make sure that they are appropriate and will result in the successful completion of projects, adequate monitoring, measures of success, and have a public communications component that will be coordinated with the External Relations and Communications Committee.

### Affiliate Grant Cycle Proposal Review and Award Recommendation

In the event Affiliate funds are used as part of a competitive grant cycle, the Affiliate Advisory Board may review, evaluate, and recommend grant awards from the received grant proposals, or may convene a separate grants advisory committee to do so. Staff will complete due diligence on Affiliate Advisory Board membership to ensure compliance with the Foundation's procedures and submit Advisory Board membership lists to the Board for review and approval annually. Non-Board members may sit on these grants committees. Affiliate grantmaking through competitive cycles falls under the policies for competitive grants previously outlined.

### Affiliate Grant Award Decisions

Type	Amount	Review/Recommend	Approval/Execution
Affiliate Funds	<= \$25,000.00	Affiliate Advisory Board, or delegated grants committee	CEO or Board Chair (Executive Committee member may act in absence of Board Chair)
Affiliate Funds	\$25,000.01 - \$50,000.00	Affiliate Advisory Board, or delegated grants committee	CEO and Board Chair (Executive Committee member may act in absence of Board Chair)
	>= \$50,000.01	Affiliate Advisory Board, or delegated grants committee	Board or Executive Committee

## **Donor Advised Funds**

Donor Advised funds are established from contributions which are made for a specific purpose and are placed in a specific Donor Advised fund with designated individuals or advisory committees acting as the fund advisor. These funds may be utilized to award grants as recommended by the fund advisor, as part of a competitive grant process, and/or other strategic activities, within the fund's specified focus area.

### **Donor Advised Grantmaking Cycles**

In the event these types of funds are used as part of a competitive grant cycle, staff may convene separate advisory committees to review, evaluate, and recommend grant awards from the received grant proposals. Staff will complete due diligence on established advisory committee membership to ensure compliance with the Foundation's committee procedures and submit committee membership lists to the Board for review and approval annually. Non-Board members may sit on these grants committees. Additional fees may be assessed to support competitive cycles for Donor Advised funds.

### **Donor Advised Grant Cycle Proposal Review and Award Recommendation**

Staff may convene separate committees to review, evaluate, and recommend grant awards from the received grant proposals from a competitive grant cycle. Non-Board members may sit on these grants committees.

### **Other Donor Advised Grant Proposal Review and Award Recommendation**

Grants are awarded to 501(c)(3) charitable organizations in good standing or equivalent (schools, churches, government agencies and programs) if the recommended award meets the Foundation's Eligibility Criteria.

### **Expenditure Responsibility (Signature Authority)**

The Foundation has grant expenditure responsibility when such is required by law or policy. Grants to organizations listed in Section §170(b)(1)(A) of the Internal Revenue Code do not require any further investigation. However the following types of organizations require "expenditure responsibility" for grants made to them from donor advised funds:

- Organizations other than those listed in Section §170(b)(1)(A)
- Type III organizations that are not functionally integrated
- Any type of supporting organization if the donor advisor (or related parties) of a donor advised fund controls the supporting organization or an organization that the supporting organization supports

The Foundation will not normally make grants from donor advised funds that require the exercise of expenditure responsibility. Only in extraordinary cases may this guideline be waived.

### **Determining whether a grant recommendation from a Donor Advised Fund requires expenditure responsibility:**

- Verify that the grantee organization is listed in Section §170(b)(1)(A) of the Internal Revenue Code or is an equivalent organization (schools, churches, government agencies and programs, or a Federally recognized tribal organization). No signature authority is required for these organizations

*or*

- If the grantee organization is a supporting organization (code 17), determine if it is a Type I, Type II or Type III(functionally integrated) organization through GuideStar, IRS Charity Search function or the IRS Business Mater File or:
  - a. Grantee organization may provide:
    - i. Documentation describing the selection process of its officers and directors
    - ii. Documentation referencing the pertinent provisions of their organizing documents that establishes their relationship to its supported organizations
  - b. Collect and review copies of the grantee’s governing documents. If they are not sufficient to establish the relationship, collect organizing documents from the supported organization.

**Type Determination**

Type	Description
I	“operated, supervised, or controlled by” the supported organization
II	“supervised or controlled in connection with” the supported organization. These are the rarest types of organizations.
III	“operated in connection with” the supported organization. These will most commonly be organizations that were NOT established by the supported organization, but rather by a private individual.

If it is determined that the grant applicant is a Type III, collect the following to determine if a Type III organization is functionally integrated:

- Letter from the grantee identifying the organizations it supports
- Grantee organization’s documents (and those of the supported organizations, if necessary)
- Letter signed by counsel of each supported organization that the supporting organization is functionally integrated and that but for the involvement of the supporting organization, the supported organization normally would engage in those activities itself

If a Type III supporting organization is NOT functionally integrated, expenditure responsibility is required for grants from donor advised funds.

Expenditure responsibility is also required for grants to any type of supporting organization if the donor advisor (or related parties) of a donor advised fund controls the supporting organization or an organization that the supporting organization supports.

**Expenditure responsibility grants require:**

- Conducting a pre-grant inquiry including a reasonable investigation of the grantee to ensure that the proposed activity is charitable and that the grantee is able to perform the proposed activity
- Executing a written agreement with the grantee that specifies the charitable purposes of the grant and includes provisions that prohibit use of the funds for lobbying activities and require the grantee to return any funds not used for the designated purposes
- Requiring the grantee to maintain the grant funds in a separate fund so that charitable funds are segregated from non-charitable funds
- Requiring the grantee to provide regular reports on the use of the funds and the charitable activity supported by the grant

Including a report on Form 990 about the grant including a brief description of the grant, the amount, the charitable purpose and the current status of the grant

**Donor Advised Grant Award Decisions**

Type	Amount	Review/Recommend	Approval/Execution
Donor Advised Funds	<= \$25,000.00	Staff/Fund Advisor	CEO or Board Chair (Executive Committee member may act in absence of Board Chair)
	\$25,000.01 - \$50,000.00	Staff/Fund Advisor	CEO and Board Chair (Executive Committee member may act in absence of Board Chair)
	>= \$50,000.01	Staff/Fund Advisor	Board or Executive Committee

**Donor Advised Restrictions on Grantmaking**

Regarding international grantmaking:

- The Foundation restricts international grantmaking to U.S. based 501(c)(3) nonprofit organizations who work internationally
- Donor Advisors may recommend grants to U.S. based organizations who work internationally that meet the Foundation’s Eligibility Criteria

Other restrictions:

- Funds cannot be used to pay any expenses of the donor or of the donor’s fundraising efforts

**Agency and Designated Funds**

Agency and Designated funds are established from contributions which are made for the specific purpose of supporting a nonprofit organization and are placed in an agency or designated fund with designated individuals acting as the fund advisor. These funds may be utilized within the fund’s specified focus area.

**Agency and Designated Fund Grant Proposal Review and Award Recommendation**

Grants are awarded to 501(c)(3) charitable organizations in good standing if the recommended award meets the Foundation’s Eligibility Criteria.

**Agency and Designated Grant Award Decisions**

Type	Amount	Review/Recommend	Approval/Execution
Agency and Designated Funds	<= \$25,000.00	Staff/Fund Advisor	CEO or Board Chair (Executive Committee member may act in absence of Board Chair)
	\$25,000.01 -	Staff/Fund Advisor	CEO and Board Chair

	\$50,000.00		(Executive Committee member may act in absence of Board Chair)
	>= \$50,000.01	Staff/Fund Advisor	Board or Executive Committee

Agency or Designated fund grant requests where the sum of all the requests for the prior 12 months exceed 50% of the fund principal will go to the Board or Executive Committee for approval.

### Scholarship Funds

Due to the complex nature of Scholarship fund policies and procedures in light of the 2006 Pension Protection Act, the Foundation developed a stand-alone policy regarding this type of fund. Please see the current policy for awarding scholarships.

### Scholarship Fund Award Decisions

Type	Amount	Review/Recommend	Approval/Execution
Scholarship Funds	<= \$25,000.00	Program and Grants Committee, or delegated committee	CEO or Board Chair (Executive Committee member may act in absence of Board Chair)
	\$25,000.01 - \$50,000.00	Program and Grants Committee, or delegated committee	CEO and Board Chair (Executive Committee member may act in absence of Board Chair)
	>= \$50,000.01	Program and Grants Committee, or delegated committee	Board or Executive Committee

## Policy Adoption, Review, and Revision History

### Policy:

Date	Action taken	Comments
8/9/12	Policy approved by the Board	
2/13/13	Policy revisions approved by the Board	
9/19/14	Policy revisions approved by the Board	
8/8/16	Policy revisions approved by the Board	

**Next Bi-Annual Review Date: August 2018**