



Due Diligence and Expenditure Responsibility Policy Statement

Grants from funds held at the Parasol Tahoe Community Foundation may only be made for charitable purposes. Donor advisors may decide to set additional restrictions or conditions to meet their grant making goals.

Donors will be educated on the following types of grants that are permitted and prohibited from Donor Advised Funds.

Permitted Grants

Grants are only permitted to the following:

- Grants to 501(c)(3) non-profit, public charities
- Grants to tax exempt organizations
 - Schools and organizations within them
 - Churches
 - Government agency programs

Prohibited Grants

The following are restrictions placed on grants from donor advised funds by the Pension Protection Act of 2006.

- Where the donor, advisor or related parties derive a personal benefit. Benefits include, but are not limited to:
 - Paying for memberships
 - Receiving tickets
 - Fulfilling personal pledges
 - Any other purpose where the above mentioned parties would receive personal benefit
- To support political campaigns or for lobbying purposes
- To individuals or to an entity for the benefit of a specific individual
- For grants, loans, compensation or similar payments to donors, advisors or persons related to them
- For non-charitable purposes
- To non-operating, private foundations

Due Diligence Process

All grant recommendations must follow this due diligence process.

Grant recommendations are stamped upon receipt for staff to initial and date the following:

Date received
Due Diligence
Approval

The Donor Services Manager will take the following due diligence steps to ensure the grant recommendation is for a permitted organization and follows donor intent as indicated in fund agreement.

Determine Public Charity Status

- Review restrictions on fund, if any, as listed in fund agreement
- Verify that donor will not receive any residual benefits as stated above
- Research organization on GuideStar and GuideStar Charity Check
- Verify the recipient organization is a public charity in good-standing by checking its status in IRS Publication 78 and IRS Business Master File
- Verify the recipient organization is not on the Specially Designated Nationals List of the Office of Foreign Assets Control
- Obtain the organization's tax-determination letter and review to further verify their 501(c)(3) status

Determine if Potential Grantee is a Supporting Organization

- Determine if the public charity is a Section 509(a)(3) supporting organization by review of the IRS tax determination letter, IRS Business Master File, or a report from a third party that includes the grantee's name, EIN, and public charity classification under 509(a) (1), (2), or (3); a statement that the information is from the most currently available IRS monthly update to the BMF, along with the IRS BMF revision date; the date and time of the grantmaker's search. This report must be retained in electronic or hard-copy form.
- Determine if the potential grantee is a Type I or Type II supporting organization by:
 - obtaining a written representation signed by an officer, director, or trustee of the potential grantee organization where the representation describes the process used for selecting the grantee's officers, directors, or trustees; referencing the pertinent provisions of the grantee's organizing documents that establish the grantee's relationship to its supported organization *and*
 - collecting and reviewing copies of the grantee's governing documents. If the potential grantee's organizing documents are not sufficient to establish the relationship, the Foundation must also collect organizing documents from the supported organization.
- Determine if the potential grantee is a Functionally Integrated Type III supporting organization by:
 - obtaining the grantee's written representation which identifies the organizations it supports
 - collecting and reviewing the potential grantee's organizing documents (and those of the supported organization if necessary).
 - collecting a written representation signed by an officer, director, or trustee of each supported organization stating 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.

- Alternatively, the Foundation may also rely on a reasoned written opinion of counsel of either the potential grantee or the Foundation in making the determination that a supporting organization is a Type I, Type II, or a Functionally Integrated Type III supporting organization.

Determine Donor, Donor Advisor, or Related Party Control of Supporting Organization

- Once the Foundation has determined that a potential grantee is a supporting organization and is not a Non-Functionally Integrated Type III supporting organization (where expenditure responsibility is automatically required), the Foundation will determine whether the donor, donor advisor, or related parties control the supported organization by:
 - determining if the donor, donor advisor, or related parties may, by aggregating their votes or positions of authority, require a supported organization to make an expenditure, or prevent a supported organization from making an expenditure; *or*
 - working from a collected list of organizations that the potential grantee supports, the Foundation will work with the donor and advisors to determine whether any of those supported organizations are controlled by the donor, donor advisors or related parties. Certification from either the donor or the advisors or directly from the supported organization indicating that the donor, advisors or related parties do not control the supported organization must be obtained.

Expenditure Responsibility

- If the public charity is a Non-Functionally Integrated Type III supporting organization under Section 509(a) (3), or is *any* type of supporting organization that supports a public charity which is controlled directly or indirectly by the donor, donor advisor, or related parties, expenditure responsibility is required. *(See Expenditure Responsibility Procedure below)*

Once due diligence is complete and recipient organization is verified to receive a grant, it is then processed for approval by the CEO. Upon approval, a grant letter and check will be mailed to the recipient organization. The letter will stipulate any restrictions to the grant. If a grant agreement is required, it shall be signed prior to the release of the grant check.

The following additional steps may be taken for donor recommended grants to public charities that are not supporting organizations:

- For restricted grants greater than \$5,000, a grant agreement may be sent to the grantee which will require a final report articulating how the grant was spent

- A grant agreement may also be sent to the grantee if requested by the donor advisor

At each board meeting, the board will be provided with a list of grants made since the last board meeting for their after-the-fact approval. All discretionary grants, including DWR Center grants, AmeriCorps Host Site grants and Community Fund grants, are approved separately by the Board of Directors.

Expenditure Responsibility Procedure

To ensure that a grant from a donor advised fund is used for charitable purposes and that the Foundation maintains appropriate oversight and documentation of certain grants from donor advised funds, expenditure responsibility may be followed. For grants made to international organizations, Non-Functionally Integrated Type III supporting organizations or *any* supporting organization determined to be controlled by a donor, donor advisor or related parties, expenditure responsibility is required. Expenditure responsibility requires the following:

- 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