

I. INTRODUCTION. The mission of Benton Community Foundation (BCF) is to enhance our community through Philanthropy. In so doing, we are committed to ensuring that our grantmaking complies with applicable law and best practices of financial stewardship.

II. PURPOSE. The purpose of this Due Diligence Policy for Grantmaking is to set forth the policies and procedures that shall guide the BCF Board of Directors (Board) in monitoring BCF's grantmaking to ensure compliance with applicable law and best practices of financial stewardship.

III. SCOPE. The Board has delegated oversight to the Grants Committee (Committee). The Committee assumes the role of oversight and stewardship of BCF's grantmaking. The President/CEO shall be responsible to ensure compliance with this policy in BCF's day to day operations. This Due Diligence Policy for Grantmaking will supersede any earlier grantmaking due diligence policies or statements.

IV. POLICIES AND PROCEDURES

A. GRANTS FROM UNRESTRICTED AND FIELD OF INTEREST FUNDS.

1. All grants shall be made in accordance with donor intent. BCF will not make grants requiring expenditure responsibility from Field of Interest Funds. (See D3 below for process to determine supporting organization status).
2. Grants shall be made to public charities or units of government.
 - a. Grants may be made to public charities; that is, organizations described in section 501(c)(3) and 509(a)(1), (a)(2), or (a)(3), 501(c)(13) and to private operating foundations. BCF 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.
3. Public charity status shall be verified. (See D3 below for process to determine supporting organization status). BCF shall verify public charity status by using one or more of the methods described below:
 - a. <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. GuideStar's Charity Check
 - e. Verification of church status for houses of worship and affiliated schools not found on the above lists
4. Verification of units of government.
 - a. In most cases, BCF 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, BCF will consult the list maintained by the Department of the Interior's Bureau of Indian Affairs.
 - c. Staff will analyze, with assistance of counsel, if necessary, situations in which governmental status is not clear.
5. Determine the project's overall potential impact on the community.
6. Review program outcomes and objectives.
7. Review proposed project budget.

B. GRANTS FROM DESIGNATED FUNDS. Before establishing a designated fund, BCF staff verifies that the proposed designee is a public charity or unit of government. BCF will not make grants requiring expenditure responsibility from Designated Funds. (See D 3 below for process to determine supporting organization status). Payment of distributable income is generally paid annually. The charitable status of the designated charity (or charities) shall be verified no less than annually.

C. GRANTS FROM AGENCY ENDOWMENT FUNDS. Before establishing an agency endowment fund, BCF verifies that the organization seeking to establish the fund is a public charity or unit of government. BCF will not establish an Agency Fund for a Type III Supporting Organization. (See D 3 below for process to determine supporting organization status.) If a unit of government, such as a public library, asks to establish an agency endowment fund, BCF will consult with counsel to determine whether this is permissible under the law of Oregon. Payment of distributable income is generally paid annually. The charitable status of the agency shall be verified no less than annually.

D. GRANTS FROM DONOR ADVISED FUNDS.

1. BCF will make grants from donor advised funds to public charities and units of government. BCF will follow the verification process outlined above to verify public charity or unit of government status.
2. BCF will not make the following types of grants from a donor advised fund:
 - a. Grants to individuals, including grants payable to a school, college or university for the benefit of an individual.
 - 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.
 - e. **Any grant that requires the exercise of expenditure responsibility.** This includes grants to nonprofit organizations that are not public charities; grants to businesses; grants to any type of supporting organization that supports a public charity which is controlled directly or indirectly by the donor, donor advisor or related person; and grants to Type III supporting organizations.
3. BCF shall determine whether the proposed grant to a supporting organization requires the exercise of expenditure responsibility. 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. Expenditure responsibility is required for grants to any non-functionally integrated Type III supporting organization. BCF shall determine the type of Supporting Organization 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. BCF shall collect and review copies of the grantee's governing documents. If the grantee's governing documents are not sufficient to establish the relationship, BCF must also collect organizing documents from the supported organization.
 - b. To determine whether a Type III supporting organization is functionally integrated BCF 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, for the involvement of the supporting organization, its activities are ones that normally would be engaged in by the supported organization.

- c. Alternatively, BCF may rely on a reasoned written opinion of counsel in making the determination that a supporting organization is a Type I, Type II, or a functionally integrated Type III supporting organization.
- d. Once BCF 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), BCF will determine whether the donor, donor advisor, or related parties control the supported organization.
 - i. 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.
 - ii. BCF 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.

E. GRANTS FROM FISCAL SPONSORSHIP FUNDS. From time to time, BCF may enter into an agreement with one or more individuals and/or organizations to create a fund for a specific charitable purpose. These funds are called Special Project Funds. Grants from Special Project Funds may be made to non-charitable entities to attain a specific charitable purpose. Using expenditure responsibility as a guideline, BCF will carefully supervise any such grants to document the use of its funds solely for charitable purposes. Such supervision shall include:

1. 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.
2. Executing a written agreement with the grantee that specifies the charitable purposes of the grant, includes provisions that prohibit use of the funds for lobbying activities, and requires the grantee to return any funds not used for the designated purposes.
3. Requiring the grantee to maintain the grant funds in a separate fund so that charitable funds are segregated from non-charitable funds.
4. Requiring the grantee to provide regular reports on the use of the funds and the charitable activity supported by the grant.
5. Maintaining documentation about the grant with a brief description of the grant, amount, charitable purpose, and current status of the grant.

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