



COMMUNITY FOUNDATION OF NORTHERN COLORADO

Grantmaking Due Diligence Policy

Adopted August 15, 2023

The Community Foundation of Northern Colorado (hereinafter the “Foundation”) acts with due diligence to ensure that grants will be used for charitable purposes and to demonstrate respect for the charitable intent of its donors.

The Foundation works to comply with all federal IRS requirements to maintain its status as a non-profit, 501(c)(3), publicly supported charity IRC 170(b)(a) and state charitable regulations through the Colorado State annual registration.

The Foundation’s Board of Trustees maintains full authority and control regarding fund asset management and grant distributions. It is the policy of the Board of Trustees to provide oversight of the Foundation’s grantmaking which includes final approval and/or ratification of grants and distributions.

Toward that end, the Foundation subscribes to the below described practices overall, as well as per type of fund from which the grant is distributed.

Recipients

- Grants may be made to 501(c)(3) public charities, schools, and churches.
- Grants may also be made to units of government for public purposes. This includes Native American tribal governments.
- Occasionally grants may be made to private operating foundations for charitable purposes.
- The Foundation will not normally make grants to private non-operating foundations or supporting organizations.
- In exceptional circumstances, grants may be made to other types of nonprofit organizations and to for-profit service providers only where a clear charitable purpose has been documented and approved by the President and/or the Executive Committee. Using expenditure responsibility as a guideline, the Foundation will carefully supervise any such grants to document the use of its funds solely for charitable purposes.

Individuals

Grants will not be made directly to an individual, but may be made to an educational institution or a service provider (for-profit or nonprofit) for the benefit of an individual if:

- that individual is a member of a broad charitable class.
- is selected based upon pre-established, objective criteria; and
- a clear charitable purpose is documented and preserved for the document retention period from the date of the grant.

Grants or similar payments, including expense reimbursements, will not be made to donors, advisors, and related parties.

Charitable Intent of Foundation Donors

Every effort will be made to conduct grantmaking in keeping with the charitable intent of the Foundation's donors as reflected in fund agreements and other documentation. The staff will facilitate clear communications from donors and establish procedures to document and carryout donors' wishes consistent with the Foundation's charitable mission and all state and federal laws. Fund agreements or other documentation of donor intent will be periodically reviewed to assure that grants are consistent with the documented wishes of the donor.

Verification of Charitable Status and Purpose

Foundation staff verify the grantee is in good standing with the IRS in regard to its charitable status and charitable purpose. To verify, staff use one or more of the following methods:

1. Internal Revenue Service, Tax Exempt Organizations Search, <https://www.irs.gov/charities-non-profits/tax-exempt-organization-search>
2. Grantee's Internal Revenue Service determination letter or group ruling letter identifying grantee as included in the ruling
3. GuideStar's Charity Check
4. Verification of church status for houses of worship and affiliated schools not found on the above lists
5. For units of government, the Foundation will maintain a copy or screen shot of the home page for a political subdivision (city, county, town, school district, etc.).
6. For Native American tribal governments, the Foundation will consult the list maintained by the Department of the Interior's Bureau of Indian Affairs.
7. Staff will analyze, with the assistance of counsel, if necessary, situations in which charitable status or governmental status is not clear.

Grants from Unrestricted and Field of Interest Funds (Board of Trustees & Community Fund Committee grantmaking)

The Board of Trustees frequently employs the knowledge and expertise of standing board committees and advisory committees to review and recommend grant distributions. The Board of Trustees approves distributions of any amount and all grants from Unrestricted and Field of Interest Funds that have been recommended by staff or committee.

1. Foundation staff review all grant proposals. Areas reviewed include:
 - a. Is the application complete, including attachments?
 - b. Is the request clear?
 - c. Does it meet the eligibility requirements for the fund or initiative?
 - d. If for a field of interest fund, does the grant comply with donor intent?
2. Staff or designated board/committee member's review:
 - a. Project's overall potential impact on the community
 - b. Program outcomes and objectives
 - c. Proposed project budget
 - d. Organization's listing of all board members.
3. Depending on the size of the grant, a site visit may be conducted or designated to a board/committee member. Staff or designated board/committee member may also:
 - a. Interview key staff identified in the grant proposal
 - b. Interview collaborative partners
 - c. Interview other funding sources
 - d. Request a Form 990
4. Staff or designated board/committee member may contact the potential grantee to seek additional documentation or clarification.

Grants from Designated Funds

The Board of Trustees employs a professional grantmaking staff who are authorized to oversee due diligence review and approve grants from Designated Funds. Before establishing a designated fund, Foundation staff verify that the proposed designee(s) is a public charity or unit of government. Grants generally are distributed once each year. The Board of Trustees reviews all grants from Designated Funds that have been approved by staff.

Grants from Agency Funds

Before establishing an agency endowment fund, Foundation staff verify 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 endowment fund, Foundation staff will consult with legal counsel to determine whether this is permissible under the law of Colorado. Grants from Agency Funds are paid out to the relevant organization named in the fund, usually at the request of the agency. The frequency/timeline of distributions are often based on the agency's goals for the fund. The Board of Trustees reviews all grants from Agency Funds that have been approved by staff.

Grants from Donor Advised Funds

Foundation staff are authorized to oversee due diligence review and approve grants from Donor Advised Funds. The Board of Trustees reviews all grants from Donor Advised Funds that have been approved by staff.

- The Foundation will generally not 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.
- If the Foundation elects to make an expenditure responsibility grant, it will follow the following process:
 - The Foundation will conduct a pre-grant inquiry to determine whether the proposed grantee is reasonably likely to use the grant for the specified purposes and that those purposes are charitable.
 - The Foundation and grantee will sign a written grant agreement that includes all provisions required by Treasury Regulations.
 - The grantee will be required to maintain the grant funds in a separate account on the grantee's books.
 - The grantee will be required to submit a written report and financial receipts 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.