



Due Diligence Policy and Procedures for Grantmaking

The Athens County Foundation is committed to the principles of good grantmaking and due diligence. The Foundation staff follows the best practices for grantmaking and all applicable laws and standards for fund management. These policies guide the process necessary to review, research, and analyze requests and projected outcomes for proposals.

1. Eligibility

In general, the Foundation awards grants only to organizations described in IRC 170(b)(1)(a), which includes public charities, government units, and private operating foundations or organizations formally affiliated with a qualifying entity.

In exceptional circumstances, a grant may be requested of the Foundation through the competitive grant process or by a donor advisor of a donor-advised fund that may be for non-charities for charitable purposes. In such cases, expenditure responsibility is required by the Pension Protection Act of 2006.

2. Expenditure Responsibility

The Foundation shall exercise expenditure responsibility for: grants to non-charities; grants to international organization without US nonprofit status or determined equivalent; grants to private, non-operating foundations; and grants made from donor advised funds to organizations other than those described in IRC 170(b)(i)(a), type III supporting organizations that are not “functionally” integrated and any supporting organization if the donor or related party controls or serves on the board of the supporting organization; or if the organization it supports is controlled by the donor or donor appointee.

The Foundation staff will determine if an organization falls within the above three categories by using one of the following sources to determine status: a review of the

organization's tax status determination letter from the IRS; consulting readily available informational databases that specialize in reporting on non-profit companies; receipt of written opinion of counsel; or receipt of written representation from grantee combined with sponsoring organization review of supporting organization's governing documents, including a list of its board members and written representation from each supported organization.

Where expenditure responsibility is required, the foundation will follow the following procedure:

- **Pre-grant inquiry:** The Foundation must make a reasonable investigation of the grantee to make sure that the grantee is capable of performing the charitable activity that is to be funded.
- **Written agreement:** The grantee must sign a written agreement with the Foundation that specifically sets out what charitable activities are to be accomplished with the funds to be granted. The agreement must also contain certain limitations (such as prohibiting the use of any of the funds for lobbying).
- **Separate account:** Unless the grantee is another private foundation or private foundation equivalent, the grantee must establish a separate account for the funds. Charitable dollars cannot be commingled with non-charitable funds.
- **Regular reports:** The grantee must provide regular status reports (narrative and financial) on the expenditure of the funds and the progress made in fulfilling the charitable purpose for which the funds are granted.
- **Report to IRS on the tax return:** When filing the Form 990-PF tax return for any year in which a payment for an expenditure-responsibility grant is made, the Foundation must indicate that expenditure responsibility payments were made and must add a schedule to the form with a brief description of each grant indicating the grantee, the amount, the charitable purpose and the current status of the grant.

3. Due Diligence Procedure

A. COMPETITIVE GRANTS: Unrestricted and Field of Interest (FOI) Funds

Applications for competitive grants are solicited and reviewed at least once a year. The review begins with the Foundation staff, then by the Grants Subcommittee before final recommendations are made to the Board of Directors for approval. The Foundation incorporates grants from Field of Interest Funds in the same process.

The application form includes basic information about the organization and details about the proposed project. When possible, the Foundation will use publicly available information, prior grant records, or existing financial data to verify the applicant's eligibility and alignment with the funding opportunity. Additional documentation may be requested only when necessary and may include but is not limited to any of the following:

- Copy of the organization's IRS Tax Determination Letter
- Copy of most recent income and expense statement
- Copy of year-end income and expense statement,
- Last fiscal year audit
- Names(s) of key staff and their qualifications
- Name(s) of board members and their affiliations
- Project documents such as evaluation plan, detailed budget and supporting documents, implementation plan, etc.
- Other relevant supporting documents such as letters of support, letters of recommendation, impact reports, newsletters, annual reports, etc.

The Foundation staff will assess the alignment and completeness of each grant application and will reach out to applicants if more information is required.

If the Foundation's due diligence review determines the grant applicant satisfies the requirements, then the grant application moves forward in the grant review process.

It is the Foundation staff's responsibility to confirm the appropriate recommendation for grants from Field of Interest Funds to ensure the grant is consistent with the nature of the Fund. This information is provided to the Grant Subcommittee.

Multi-year grants: annual payout due diligence process

For multi-year or unrestricted grants, the Foundation will conduct a light-touch due diligence review prior to each annual payout to ensure continued alignment with the grant's purpose and the recipient organization's eligibility. This review may include confirmation of the organization's good standing as a 501(c)(3) (or equivalent), a brief update from the grantee regarding organizational progress, and any material changes in leadership, mission, or financial status.

The Foundation may request this information through a brief narrative update, existing public materials, or a check-in conversation. If the organization continues to meet eligibility requirements and no significant concerns arise, the subsequent grant installment will be released in accordance with the original grant agreement.

B. Donor Advised Fund

The Foundation will **not** make the following types of grants from a donor-advised fund:

- a. Grants to individuals, or for a pre-determined scholarship
- b. Grants in payment of a legally enforced pledge
- c. Grants for bifurcated expenses (i.e. event tickets that are partly reimbursement for a meal, and partly for the charity)
- d. Grants to a private non-operating foundation
- e. Grants or other similar payments, including expense reimbursements, to donors, advisors, or related parties

The Foundation will make grants only to organizations described in IRC 170(b)(1)(a), which includes public charities, government units, and private operating foundations. Normally, the Foundation will not make grants from donor advised funds that require the exercise of expenditure responsibility. If the Foundation elects to make an expenditure responsibility grant, it will follow the Expenditure Responsibility procedure described in Section 2.

Donor advisors must certify that they do not receive any benefit from each grant they recommend. Upon receiving the grant recommendation form, the Foundation staff will verify the grantee's eligibility as described in Section 3A.

If the due diligence review confirms the grant recipient is eligible, the grant will be forwarded to the Foundation's Board of Directors for approval. However, if concerns arise regarding eligibility, potential conflicts of interest, or alignment with the Foundation's values, the grant may be referred to the Grants Committee for additional review and strategic guidance.

C. Designated Fund

Before establishing a Designated Fund or upon notification of a bequest, the Foundation staff verifies the charitable status of the intended grant beneficiary.

Prior to the distribution of a grant, the charitable status of the agency is reconfirmed as described in Section 3A. Designated fund grants are generally paid once each year or as directed by the fund agreement.

If a bequest is designated for an organization that no longer exists, the Foundation's legal counsel, Board of Directors, Foundation President (as appropriate), and the donor's legal advisor will be consulted to determine an alternative recipient in alignment with the donor's original intent, following the principles of *cy pres*.

If the due diligence review confirms that the grant recipient remains eligible, the grant will be submitted to the Foundation's Board of Directors for approval.

D. Agency Endowment Fund

Before establishing an agency endowment fund, the Foundation verifies that the organization seeking to establish the fund is a qualified public charity.

Prior to the distribution of a grant, the charitable status of the agency is reconfirmed as described in Section 3A. Agency grants are generally paid out once each year or as directed by the fund agreement.

If the due diligence review confirms that the grant recipient remains eligible, the grant will be submitted to the Foundation's Board of Directors for approval.

4. Grant Review Committees

The Grants Subcommittee shall be composed of appointed and volunteer members of the Foundation's Board of Directors and shall be led by a chairperson designated in accordance with the Foundation's Bylaws. The Committee is responsible for conducting grant reviews, evaluating applications, and making funding recommendations during each grant cycle.

For grants from Field of Interest Funds that incorporate a participatory grantmaking process, applications shall be forwarded to a community advisory group composed of individuals with relevant qualifications, as defined by the Field of Interest Fund agreement.

All members of the review committees shall act in good faith and exercise due diligence in their review and decision-making processes. Members are required to read, acknowledge, and adhere to the Foundation's Conflict of Interest Policy to ensure impartiality and maintain the integrity of the grant review process.

5. Conflict of Interest

No staff member or staff member's family shall personally receive benefits from any grant. Furthermore, no advisor, volunteer, donor, or any related party who is involved in the grant review or recommendation of a grant shall receive benefits from any grant.

On an annual basis, all staff, trustees, and committee members including the Grants Subcommittee complete a Conflict of Interest/Duality of Interest and Confidentiality/Intellectual Property disclosure statements that are reviewed and signed by the Foundation President.

If a member of the Board of Directors or a committee member has a conflict with a particular grantee or grant application, then that person does not vote on the grant recommendation. This abstention is noted in the meeting minutes. If a staff member has a conflict with a particular grant application, they do not participate in the proposal review process and this information is recorded in the meeting minutes.

6. Deliberation Results

If the Foundation's due diligence investigation and/or review determines that the prospective grantee does not qualify for a grant distribution, then the Foundation informs the prospective grantee of this decision, and the application shall be considered rejected. In the case of a Donor Advised Fund grant recommendation, the Foundation staff will also inform the Donor Advisor that the prospective grantee does not qualify for a grant.

Grants recommended for funding shall be forwarded to the Board of Directors for approval.

7. Use of Grant Funds and Prohibited Expenses

Grant funds must be used solely for the specific purpose for which they were awarded. No portion of grant funds may be used to carry on propaganda, influence legislation, participate in or influence the outcome of any public election, or engage in any voter registration drive. Funds may not be used for purposes that fall outside of the Foundation's charitable scope, including religious instruction or activities that are not charitable, scientific, or educational in nature.

Moreover, the Foundation does not allow an indirect cost rate or percentage to be included in grant requests. Administrative or overhead costs must be clearly detailed and directly tied to the funded project. In addition, the Foundation prohibits the payment of gift or advancement fees to institutions where such fees are assessed. All expenditures must support the intended charitable impact of the grant and comply with these restrictions.

8. Grant Agreement

Once a grant is approved, award notifications will be sent digitally to the grantee organization, and follow-up forms will be assigned as needed.

All grants must follow the Foundation's standard grant agreements which state:

All grantees affirm its tax status as set forth in their determination letter, and pledge to notify the Athens County Foundation if there is a change in their status. Furthermore, all grantees must use the grant funding they receive for the specific purpose that the grant was made. No part of the grant funds is allowed to be used to carry on propaganda, or otherwise attempt to influence legislation or to influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive, or for any purpose which is not religious, charitable, scientific, or educational. Grantees must contact the Athens County Foundation if there are any funds not spent for the grant to discuss the best way to return or reuse the fund.

A signed grant agreement is required from all competitive grant recipients. In addition to the standard grant agreement, grant agreements sent to grantees from a competitive cycle include acknowledgment instructions, reporting requirements, and the grant term.

9. Grant Reporting

Generally, grantees from competitive cycles are required to provide a report to the Foundation regarding the outcomes and impact of the grant-funded initiative. The Foundation offers a flexible, relational approach to grant reporting that honors the grantee's time and expertise.

Grantees are expected to share updates in a format that works best for them—this may include a written narrative, a phone or video conversation, or existing materials such as newsletters, board reports, or annual reports. Reporting focuses on organizational learning, outcomes (intended or unexpected), challenges, and how the Foundation's support has contributed to the organization's mission.

For multi-year or unrestricted grants, the Foundation will ask for a brief annual reflection and a final summary at the end of the grant term. In all cases, reporting is viewed as a tool for shared learning and relationship-building—not compliance.

Grantees are welcome to initiate conversations at any point during the grant term, and Foundation staff will remain available to support and engage as partners throughout the duration of the grant.

Reports, whether verbal or written, should be completed before reapplying for the same project or from the same funding opportunity.

Unless otherwise specified by the donor advisor, grant reporting will not be required from their grantees. However, with the donor's permission, the Foundation will encourage grantees to connect with the donor advisor and steward the relationship directly.

10. Site Visits and Feedback Process

The Foundation views grantmaking as a collaborative partnership rooted in mutual respect, transparency, and shared learning.

To foster ongoing connection and deepen understanding of the work supported by the Foundation's grantmaking program, Foundation staff may initiate informal check-ins or offer opportunities for site visits. Site visits are not evaluative or mandatory; rather, they serve as a way to listen, learn, and explore how the Foundation can be a supportive partner. These visits are optional and scheduled in consultation with the grantee and are designed to be low-burden, and respectful of time and capacity.

Grantees are encouraged to reach out proactively to the Foundation to share updates and insights or discuss challenges.

Insights from site visits and other communications may be documented internally to inform future grant cycles or strategy development.

11. ACF's Commitment to Inclusive Community Partnerships

The Foundation supports organizations that align with our mission and values of inclusion, trust, collaboration, and courage. We do not fund organizations whose actions or policies incite harm, discrimination, or exclusion based on race, ethnicity, national origin, religion, immigration status, gender, gender identity, sexual orientation, or disability.

By accepting funding, grantees affirm alignment with these values. The Foundation reserves the right to assess alignment at the time of grantmaking.