

# NAPA VALLEY

## COMMUNITY FOUNDATION

### **Guidelines for Grant Distributions from Donor Advised Funds**

The following guidelines have been established to govern grant distributions from Donor Advised Funds (DAFs) at Napa Valley Community Foundation (the “Foundation”), in a manner consistent with the charitable purposes of the Foundation and in compliance with federal tax laws. Donor advisors should refer to their Donor Advised Fund Agreement in connection to these Guidelines.

1. All assets contributed to DAFs are irrevocable gifts to the Foundation and legal control and responsibility for DAFs rests with the Foundation.
2. The donor advisor may recommend grant distributions to be made from the DAF. The Foundation may occasionally bring to the donor advisor’s attention grantmaking opportunities which may be of interest. However, the donor advisor is not required to recommend grant distributions to the charitable programs brought to his/her attention by the Foundation.
3. To recommend a grant distribution from his/her DAF, the donor advisor must complete a Grant Recommendation Form – either by logging onto the Foundation’s secure, online donor portal, Donor Central; or by downloading a paper form available at <http://napavalleycf.org>.
  - a. Fill out Organization’s Official Name, Amount (\$250 minimum), and Charitable Purpose fields.
  - b. Sign (or e-sign) and date where it says “Signature of Fund Advisor”.
  - c. Send (click “submit” button, email, fax, or snail mail) the completed form back to the Foundation.
4. Grant distributions are made in the name of the DAF from which they are paid. When requested by the donor advisor, grant distributions can be made anonymously.
5. By law, a Donor Advised Fund cannot recommend a grant to:
  - a. Satisfy a legally binding pledge or other financial obligation to a nonprofit or charitable program.
  - b. Benefit an individual (through scholarships, emergency hardship grants or disaster relief grants). This includes payments directly to an individual or to an entity for a specific individual (e.g., to a university for a scholarship for a particular student).
  - c. Support political campaigns or lobbying activities.
  - d. Pay for membership benefits, raffle tickets, event tickets (galas or fundraisers, sporting events, performances, etc.), goods bought at charity auctions, tuition, or religious benefits.
  - e. Provide financial or business benefits to donor advisor or a related party.

Upon receipt of a signed Grant Recommendation Form for any amount *less than* \$25,000, Foundation staff will:

- i. Acknowledge receipt of the Grant Recommendation Form.
- ii. Make sure the grant distribution request is in compliance with IRS regulations and that the grantee organization is a charitable entity in good standing, with verification through GuideStar and IRS Publication 78.
- iii. Approve (or decline) the grant distribution.
- iv. Generate a check and letter that outlines the terms of the grant, and send the check/letter to the grantee organization.
- v. Inform the donor advisor that the grant distribution has been mailed.

*Please note that the above steps take about 10 business days to complete.*

- vi. Submit the grant distribution recommendation to the Foundation's Board of Directors for approval on the Board's Consent Agenda.

Upon receipt of a signed Grant Recommendation Form for *any amount equal to or greater than* \$25,000, Foundation staff will:

- i. Acknowledge receipt of the Grant Recommendation Form.
- ii. Make sure the grant distribution request is in compliance with IRS regulations and that the grantee organization is a charitable entity in good standing with verification through GuideStar and IRS Publication 78.
- iii. Examine IRS Form 990 against established benchmarks for nonprofits.
- iv. Submit the grant distribution recommendation to the Foundation's Board of Directors for approval. The Board will vote to approve the grant distribution at its next scheduled Board meeting. (If a grant distribution is urgently needed by the grantee organization, the Foundation may call for a Board vote between scheduled meetings of the Board.)
- v. Generate a check and letter that outlines the terms of the grant, and send the check/letter to the grantee organization.
- vi. Inform donor advisor that the grant distribution has been mailed.

Pursuant to IRS rules, certain types of grants from DAFs require the exercise of "expenditure responsibility". Expenditure responsibility is a process designed to ensure that a grant is used for charitable purposes and that the Foundation maintains appropriate oversight and documentation of certain grants from DAFs. Expenditure responsibility is required for grants to (1) organizations not described in Internal Revenue Code Section 170(b)(1)(A); (2) type III supporting organizations that are not functionally integrated with the supported organization; and (3) supporting organizations of any type if the supported organization is controlled by the donor advisor or a related party.

In general, the Foundation will not make grants from DAFs that require expenditure responsibility. Because circumstance may occasionally warrant such a grant, the Foundation staff shall follow the document "Process For Determining Whether Expenditure Responsibility Applies To Grants From Donor Advised Funds", and shall exercise expenditure responsibility in compliance with the law.