



DUE DILIGENCE POLICY

CENTRAL KANSAS COMMUNITY FOUNDATION'S PROCEDURES FOR GRANT MAKING, INCLUDING SCHOLARSHIP GUIDELINES

DEFINITIONS

Controlled Businesses - Corporations, partnerships, and trusts or estates if the donor or advisor and family members own more than 35 percent of the total combines voting power (corporations), 35 percent of the profits interest (partnerships) or 35 percent of the beneficial interest (trusts or estates).

Donor – An individual or organization, including a corporation, partnership or trust, that makes a contribution to a Fund where such Fund is separately identified by reference to contributions of the donor and with respect to which the donor (or any person appointed or designated by such donor) has, or reasonably expect to have, advisory privileges with respect to the distribution or investment of amounts held in such Fund by reason of the donor/advisor's status as a donor. The term also includes members of the donor's family and businesses controlled by the donor and family members.

Donor Advisor for Donor Advised Fund (DAF) – Individual who maintains full advisory privileges over a fund, including grant recommendations, naming of the fund, and appoint of other fund or successor advisors. In certain circumstances it can also include investment recommendations yet must follow in accordance with the Foundation's Investment Policy.

Educational Institution – An institution that has a regular faculty, a curriculum, and an organized body of students in attendance at the place where the educational activities are held.

Endowed Underwater Funds – Endowed funds in which the Foundation's moving average calculation results in a fund balance less than the minimum distribution balance of \$10,000.

Expendable Underwater Funds – If a fund's balance remains low (under \$3,000), the fund may be considered for fund closure or assisting the fund advisor with a plan to grow the fund.

Fund Advisor – A person appointed by a donor to have advisory privileges with respect to a Fund. The term also includes members of the advisor's family and businesses controlled by the advisor and family members.

Grant and Scholarship Review Teams/Committees – A group of individuals representative of the community, appointed by grant and scholarship staff, in conjunction with key fund contacts, which may include, but is not limited to school counselors, board members, donors, and fund advisors. The committee is responsible for making competitive grant and scholarship recommendations to CKCF and its affiliate boards for approval or ratification. In occasional cases an appointment of Review Committee might also be included in a Fund Memorandum of Understanding (MOU). Their recommendations to CKCF or its affiliate boards will be

considered based on the terms and conditions of the MOU.

One individual on the committee usually serves as the chair. Responsibilities for the chair may include, but are not limited to, serving as a primary point of contact for grant and scholarship staff, facilitating committee discussions, and assisting with scheduling a committee meeting.

Grant Recipient – An organization that receives a grant from CKCF or its affiliate foundations. The organization must possess 501(c)(3) status under the Internal Revenue Service code, be exempt under statute (i.e. educational institution, church, a city, county or other governmental entity), or be formally linked to an organization with such designation. Management should also be in the hands of reliable, ethical, and experienced personnel.

Qualified Expenses – Certain expenses incurred in attending an educational institution. They are:

- Tuition and fees for enrollment and attendance.
- Course-related expenses – fees, books, supplies, and equipment required of all students for courses of instruction.
- Room and board, travel research, and clerical assistance. Payments for expenses in this group are not exempt from income tax.

Related Persons – The term includes both a donor or advisor’s family members and businesses they control: Family Members – Shall be defined for CKCF purposes as an individual’s parents, grandparents, great grandparents, spouse, siblings, children, grandchildren, great grandchildren and the spouses of all the above, including those legally adopted as well as step-family relationships.

Scholarship Recipient – A student awarded a scholarship from CKCF or its affiliate foundations and receives the award via the educational institution at which the students in enrolled.

Successor Advisor – An individual appointed or designated by the donor who has, or reasonably expects to have, advisory privileges with respect to the Fund’s distributions and/or under certain circumstances recommend investment strategy decisions. This is a second-generation fund advisor. The individual has no advisory privileges until the cessation to act of all original fund advisor(s).

GENERAL GRANT MAKING GUIDELINES

1. For what purposes can CKCF and its affiliates make grants and disbursements?

IRS rules prescribe that the assets of a 501(c) (3) organization such as the Central Kansas Community Foundation and its affiliates be used solely for charitable purposes. These exempt charitable purposes set forth in section 501(c) (3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals.

The term charitable is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.

In addition, grants and disbursements must be made to support activities specified by the donor, to the extent that there is a donor designation for a specific purpose or are of an unrestricted nature. Oversight committees shall be in place to support recommendations for these distributions or the award will be made via board discretion.

Charitable purposes do not include expenditures that provide more than a minor personal benefit to one or more individuals (versus benefit to the public).

2. To whom can CKCF and its affiliates make grants and disbursements?

Grants and disbursements from foundation funds for charitable purposes may take several forms:

- A.** Grants to 501(c)(3) public charities (i.e. not private foundations)
- B.** Grants to governmental entities (including cities, towns, and school districts) for charitable activities
- C.** Grants for charitable activities being carried out by non-501(c)(3) or non-governmental entities only if:
 - The charitable nature of the activity has been established through a grant application process
 - There is no personal benefit that is more than minor to one or more individuals (versus benefit to the public) from the grant; and,
 - Payments of the grant or disbursement are made either directly to vendors or as reimbursement to the grant recipient upon completion of the project, and documentation is provided for the expenditures.
- D.** Direct disbursements furthering the charitable purpose of your foundation (e.g. promotion, donor solicitation, community celebrations and training)

3. Can CKCF and its affiliates grant to an organization that tells the foundation it is a nonprofit?

Nonprofit status is a state law concept that may make an organization eligible for certain state-level benefits, but it does not automatically grant the organization exemption from federal income tax. CKCF and its affiliates should ask to see the tax exemption letter that the organization received from the IRS. If the tax exemption letter states that the organizations tax-exempt under Section 501(c) (3) of the IRS code and the organization certifies on its grant application that it remains qualified, CKCF and its affiliates may grant to them. If the organization is not tax-exempt or its exemption letter states that it is exempt under a different code section, CKCF and its affiliates may grant only for specific charitable activities or the organization following the procedures described under General Grant Making Guidelines, number 2, letter C.

4. Can CKCF and its affiliates grant to an organization that is tax-exempt under a different section of the IRS code, such as 501(c) (6) or 501(c) (7)?

Only organizations granted tax-exempt status is 501 (c) (3) are “charitable.”

There are many types of organizations that are tax-exempt but that are not charitable. See the table below for examples.

Grants to these organizations may only be made for specific charitable activities of that organization following the procedures under General Grant Making Guidelines, number 2, letter C.

Types of Organizations	Exempt under Section 501
Chamber of Commerce	(c) (6)
Membership Clubs (golf or recreation)	(c) (7)

Cemetery Associations	(c) (13)
Armed services organizations (VFW, American Legion, etc.)	(c) (19)

- 5. What are some examples of grants that would NOT be considered charitable and would not be allowed?**
- Grants to private, for-profit childcare programs, as the benefit accrues to the owner of the facility
 - Grants to the following organizations for general operating purposes or for activities not specifically charitable:
 - Golf clubs or other recreational clubs, as the benefit accrues to the members of the club
 - Chambers of Commerce
 - American Legions, VFWs, or similar organizations
 - Cemeteries
 - For-profit entities
- 6. The “Normal Purpose Rule”**
- Grants for any activity commonly undertaken by a unit of government qualify as being for 501(c)(3) purposes --- even if not otherwise charitable, educational, scientific, or religious – so long as it is legal for the specific jurisdiction
 - Cannot be designated for a specific business, but you can focus on a site of a “class” of business
- 7. Loan Programs** – Loans must have a charitable purpose: creating jobs in economically distressed areas; creating /retaining/improving jobs for low-moderate income workers; diversifying the local economy to promote economic stability; provide for critical community services, e.g. healthcare, groceries, etc.
- Rates and terms must reflect charitable intent – below market rates for the risk incurred and must fill a “financial gap.”
 - Must be a reasonable expectation of repayment, with due diligence and collateral
 - Appropriate servicing and collection – conscientious collection efforts appropriate to your local charitable purpose
 - These programs will be taken on a case by case basis to determine parameters for giving
- 8. See Appendix B:** Examples for additional grant examples, including strategic grants and examples for the “Normal Purpose Rule.”

It is and shall be the policy of CKCF that, except as noted herein, or otherwise provided by law, all qualified applicants must possess a 501(c)(3) status under the Internal Revenue Service code, be exempt under statute (i.e. educational institution, church, a city, county or other governmental entity), or be formally linked to an organization with such designation.

Competitive, Advised, and Designated Grants are all permissible. Funds are reviewed annually for inclusion in competitive grant cycles (including scholarships), distributed to a cause as pure, designated grants (including education awards), or designated by boards and/or Fund Advisors.

Affiliate Competitive grant cycles should typically have \$3,000 or more to be administered by Foundation staff. In the case that an Affiliate Foundation has less than \$3,000 available to include in a competitive grant cycle, the Affiliate Board may choose to make designated distributions to organizations impacting the community. This does not apply to competitive scholarship administration.

The grant application process is used to determine if the purpose of each grant request is charitable in nature. It is the responsibility of Foundation staff to ensure compliance with this provision or confirm the legal and

appropriate variance of a given grant. Evidence of such tax status will be verified before grant funds are dispersed. Primary data sources to verify public charity status include: IRS determination letter, IRS Business Master File, Exempt Organizations Select Check, National Center for Charitable Statistics, Charity Navigator and/or GuideStar.

Scholarships

CKCF will comply with all provisions of the Pension Protection Act of 2006 as they apply to scholarships held by CKCF. Specifically, the Board of Directors, or its designated committee, shall appoint all members of the scholarship selection committee, approve the procedure used in granting scholarships, ensure that scholarship recipients are not related to the donors, and ensure that donors or their representatives are not a majority on the selection committee. CKCF considers scholarships grants, therefore, grant-making policies pertain to scholarships, as well.

Atypical Grant Making

Regardless of fund type, grants to organizations listed in Section 170(b)(1)(A) (vi) of the IRS Code do not require any further investigation.

However, under the Pension Protection Act of 2006, community foundations are required to determine the tax status of organizations named to receive grants from advisory funds. The following types of organizations require “expenditure responsibility” for grants made to them from advisory funds:

- Organizations other than those listed in Section 170(b)(1)(A)(vi)
- Type III organizations that are not functionally integrated
- Any supporting organization if the grantee supporting organization is controlled by the donor or donor appointee.

In situations where grants are requested from non-charities for a charitable purpose, such as public safety organizations, or other 501 (c) organizations, Expenditure Responsibility will be required.

Expenditure Responsibility

If the Foundation determines through the above stated processes that expenditure responsibility is required, it will generally perform the following steps:

IRC Section 4945(h) provides that expenditure responsibility means that the foundation is responsible to exert all reasonable efforts and to establish adequate procedures

1. to see that the grant is spent solely for the purpose for which made;
2. to obtain full and complete reports from the grantee on how the funds are spent; and
3. to make full and detailed reports regarding the grants to the IRS.

The Foundation shall exercise expenditure responsibility for: grants to non-charities; grants to international organizations without a 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 section 170-(b)(1)(A), type III supporting organizations that are not “functionally integrated” and any supporting organization if the donor or a related party controls or serves on the board of that supporting organization; or if the organization it supports is controlled by the donor or donor appointee.

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 representations from each supported organization.

Where expenditure responsibility is required the Foundation will follow the procedure described below:

- Pre-grant research: The Foundation will conduct a reasonable investigation of the grantee to assure that the grantee possesses the capacity to perform the charitable activity to be funded by the grant.
- Written agreement: The grantee organization will sign a written agreement which will define the charitable activities that will be accomplished with the granted funds. In most circumstances, general purpose funds are not permitted.
- Separate accounting: Unless the grantee is another private foundation, the grantee must establish a separate account for the granted funds. Charitable dollars may not be co-mingled with non-charitable dollars.
- Regular reports: The grantee must provide regular status reports on the expenditure of the funds and the progress made in fulfilling the charitable purpose as defined in the written agreement.
- Report to IRS: For any year in which a grant was made by the Foundation that requires expenditure responsibility, and if required on the federal tax return, the Foundation shall indicate that such payments were made and complete the appropriate schedule to said tax return. The schedule shall include a brief description of each expenditure including grantee name, expenditure amount, charitable purpose of expenditure and current status of the grant.

Confidentiality

All staff, directors, board members, consultants and grant and scholarship review team/committee members will acknowledge the confidentiality policy on an annual basis. This acknowledgement protects the privacy of donors, information regarding grant and scholarship applicants, and general foundation business, as defined in the confidentiality policy.

Annual updates to the forms may be made and material changes shall go before the Board of Directors for approval. Please note the format of these forms may vary from year to year and for staff, directors, board members, consultants, and grant and scholarship review team/committee members. The general intention of each document will be preserved.

Conflicts of Interest

On an annual basis, all staff, directors, board members, consultants and committee members will complete conflict of interest statements indicating the organizations with which they have potential conflicts. Board members and committee members shall abstain from discussion and voting on matters of awards where he/she has a material conflict of interest.

Reports

Competitive grants require a written final report including a financial report of expenditures before the grant is closed out. There may also be times that staff will require a written final report on designated grants depending on circumstances that include but are not limited to, an emergency grant award.

Board Responsibility

The Board of Directors of the Foundation as well as the Executive Committee, which serves as the Grants Committee for the Foundation, holding the authority to review and approve grants and scholarships. Early each year once the available to spend is available the board of directors will vote to authorize the distributions of grants from funds. It further directs that staff will conduct and/or oversee the grant and scholarship selection

processes. Board will be made aware of grants distributed as part of the Executive Summary as a courtesy review of actual grant distributions.

GRANT DUE DILIGENCE PROCESS

See Appendix A: Procedures for internal grant making processes.

1. Permitted Grants

In the case of donor directed grants, such as donor advised and designated fund grants with a specific charitable purpose, a letter explaining the terms of the grant is included with the grant check that states that by accepting the grant, the grantee certifies that the grant will be used solely for the charitable purpose as intended by the donor.

Grants are disbursements requested by individuals or organizations that have a fund with CKCF. All grant payments from a donor advised fund must be made to a 501(c) (3) public charity located in the United States. No grants may be made (1) to organizations located outside of the United States, (2) to private non-operating foundations; (3) to political candidates or organizations, (4) to fulfill personal pledges/commitment, or (5) to organizations or persons listed on the Treasury OFAC Specially Designated Nationals and Blocked Persons (SDN) List. (www.ustreas.gov/offices/enforcement/ofac/sdn).

In addition, no grants may be made which result in the donor deriving a material benefit such as the purchase of a dinner at an event. Grants to individuals may only be made from a scholarship fund, which is subject to the Foundation guidelines on scholarships. No grants to individuals may be made from a donor advised fund. Vouchers and invoice payments for charitable projects not directly associated with a 501(c) (3) entity must be made through a field of interest fund. No such payments may be made from a donor advised fund.

2. Donor Intent

The Foundation is committed to ensuring that grants meet the original intent of the donor. To document donor intent, the donor is required to sign a fund agreement detailing the intended recipients of grants from the fund. In the case of a donor advised fund, donors may recommend grants each year as described in the donor advised fund agreement. Grant recommendations for donor advised funds are reviewed, subjected to due diligence procedures, and then recommended for approval by staff and knowledge of distribution to the Board of Directors.

In the instance that the donor is no longer living, the Board of Directors executes its Variance Power to select charities most closely resembling those originally selected by the donor. If the donor is living or successor advisor appointed, in accordance with definitions section above, but the charity is no longer in existence, the donor is contacted to update the terms and conditions of the fund agreement with the Foundation. If neither the donor is living nor the charity is in existence, the Board of Directors again honors the original intent of the donor by executing its Variance Power and selecting a charity most closely resembling that of the original intended recipient.

Donors with fund agreements with the Foundation can, at any time, request a grant be made to their favorite charity. In processing the grant request in accordance with the following processing procedures, the Foundation is honoring the intent of said donor. Furthermore, as a fail-safe, the annual audit of the Foundation's financials includes a cross-checking of grants with donor intent outlined in the fund agreements with the Foundation.

Other Grant Making processes are conducted as part of Competitive Grant Making cycles. CKCF conducts this based on Fund specifics (donor intent), regional opportunities (includes affiliate territories), special groups (Women's Community Fund), and more. Competitive processes, unlike Donor Advised Funds (DAF), include a broad cast of applicants based on the specifics of the grant cycle. These processes generally include a specific application, promotion to eligible charities, coordination of a selection committee and a follow up / summary report for evaluative purposes. Confidentiality and Conflict of Interest guidelines are followed for the selection committees. Public promotion of the recipients is promoted on our website in most cases.

In the case of donor directed grants, such as donor advised and designated fund grants with a specific charitable purpose, a contractual grant agreement explaining the terms of the grant is included with the grant check that states that by accepting the grant, the grantee certifies that the grant will be used solely for the charitable purpose as intended by the donor.

Recipients of competitive award processes are provided an agreement letter that indicates funds that are not expended for the purpose of the award must be returned to the Community Foundation for use in furtherance of its mission and the charitable purposes of the particular Fund under which such award was made.

UNRESTRICTED/DISCRETIONARY GRANTMAKING GUIDELINES

1. Discretionary Grants

The Board of Directors of Central Kansas Community Foundation may from time to time, and as such funds are available, make discretionary grants in an effort to ensure the inclusion and access of underrepresented geographical areas and individual organizations in the grant making process, and to ensure that critical needs of the community are met in a timely manner. The Board encourages applications from organizations that promote lasting economic opportunity and the mobilization of community resources for people who lack basic services.

The Community Foundation strongly promotes efforts that seek to address critical needs through integrated approaches that bring together diverse groups, develop collaborations among different segments of our communities, generate civic and community vitality, or promote civic engagement.

The amount available for unrestricted/discretionary grant making will be determined after the previous year's year-end calculation have been made. Once the year is closed the preparation of the "available to spend" (ATS) report is finalized. Staff will prepare a report identifying the amount and source of funds available for grant making for the approval of the Board of Directors. Staff are then designated to completed distributions with donors, advisors or per memorandum directives.

Funds that should be auto distributed by CKCF staff will be made as soon as possible after finalization of the ATS report, unless noted by the donor or fund advisor.

ATS requests from fund advisors should be sent to CKCF staff no later than November 1 of each year. If CKCF has not received a request by November 1, nor confirmation from the donor that no distribution will be made for the given year, CKCF staff will note that in the accounting software. **If, after three years, CKCF receives no relevant communication, the Board of Directors will begin to exercise its variance power.**

Affiliate Foundation's shall institute this as other CKCF policies unless an alternative policy for unrestricted/discretionary grant making has been formally written.

2. Measurable Results

Grant making should achieve progress, as evidenced by measurable outcomes and reporting results within the competitive grant making process.

Measurable outcomes provide accountability for financial support provided by Central Kansas Community Foundation and its Affiliates. Utilizing measurable outcomes in grantmaking helps an organization stay on track to focus on what really matters – bringing about positive change in the community.

Some indicators for effective outcomes that will produce measurable results include:

- Desired outcomes are plausible and aligned with the nonprofit's mission and strategy
- Goals are realistic and achievable within the grant period
- The resources available are appropriate, and the cost of the program will result in a reasonable impact
- Outcomes are SMART: specific, measurable, achievable, realistic, and time sensitive

Typically, if an organization received a competitive grant award from Central Kansas Community Foundation or its affiliates, the organization shall be asked to complete a follow-up survey in which aspects of evaluation will be included.

3. Intent

The Central Kansas Community Foundation casts a wide net into the region it serves and strives to establish relationships with community members, civic leaders, nonprofits, faith-based institutions, businesses and schools. Priority grant making for competitive grants includes, but is not limited to:

- Organizations meeting basic human needs, such as food, housing, and personal safety
- Access to basic healthcare
- The needs of children
- Disaster response
- Organizational infrastructure hardship

The Community Foundation strives to have no grant award less than \$250. Generally, requests should not exceed \$15,000 in competitive grant cycles unless the promotion of the grant cycle clearly demonstrates availability of this level of granting.

4. Application/Letters of Inquiry

Letters of Inquiry will be accepted at any time during the year. Applicants should first submit a letter of describing the specific need to be addressed by the grant. The letter should include a description of the project or program for which funding is being solicited, the amount of funding being requested, and cite the community issue(s) that will be addressed. Letter of inquiry should provide contact information, including an email address and should be mailed to CKCF, 301 North Main, Suite 200, Newton, KS 67114 or direct to Affiliate Foundations.

An award may be made after review of the Letter of Inquiry; additional information may be requested, and/or the applicant may be directed to upcoming competitive grant cycles to submit formal application to that specific

funding. Letters of Inquiry will be reviewed by grant and scholarship staff, in collaboration with the executive director and may also be managed by Affiliate Foundations at the board level.

PROCEDURES OF THE CENTRAL KANSAS COMMUNITY FOUNDATION: Awarding Scholarships, Fellowships, and Other Grants to Individuals

1. Introduction: Scope and Intent of the Policy

The Central Kansas Community Foundation ("the Community Foundation") from time to time holds and administers certain funds (the "Funds") that provide scholarship grants to individuals, including high school, college and graduate school students, to enable the recipients to complete an undergraduate or graduate education in the field of their choice at the college or graduate school of their choice. The Community Foundation also holds and administers certain *Scholarship* Funds that make grants to students in primary and secondary school to attend various educational programs and to other individuals for vocational or other training. *Education* Funds are also held by the Community Foundation, which make grants to secondary or post-secondary educational institutions for distribution to students, as the institution sees fit. Grants made from such Funds shall be referred to as "Scholarship Grants."

The Community Foundation also from time to time holds and administers certain Funds that make grants to individuals in recognition of achievement in the fields of art, literature, education, science, public or community service, or for other charitable or civic achievement. Such awards may not be intended to finance any specific activities of the recipients and may not impose conditions on the manner in which the prizes or awards may be expended by the recipient. Grants made from such funds shall be referred to as "Individual Achievement Grants."

The Community Foundation also from time to time holds and administers certain funds that make grants to individuals to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee that relates to the Community Foundation's mission. Eligible individuals may include graduate students, scholars, professionals, and other individuals with specialized skills or knowledge. Scholarships also may be awarded to pay for a course of study leading to a certificate or to achieve a skill level, such as art or vocational school. Such scholarships may cover the cost of tuition and related expenses. All grants described in this paragraph shall be referred to as "Awards and Prizes to Achieve a Specific Objective."

The Community Foundation has established the following procedures pursuant to which Scholarship Grants, Individual Achievement Grants and Awards and Prizes to Achieve a Specific Objective will be awarded from funds where Donor-advisors have any advisory privileges or participation in the selection of grant or award recipients. The following procedures shall be interpreted so as to ensure the Community Foundation's compliance with all applicable requirements of the Internal Revenue Code, including Section 4966, accompanying Treasury Regulations and guidance from the Internal Revenue Service, and these procedures may be amended from time to time.

For purposes of these procedures, a Donor-advisor will be defined as an individual or organization, including a corporation, partnership or trust, that makes a contribution to a Fund where such Fund is separately identified by reference to contributions of the Donor-advisor and with respect to which the Donor-advisor (or any person appointed or designated by such Donor-advisor) has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in such Fund by reason of the Donor-advisor's status as a donor.

Community Foundation values and encourages the interest and involvement of donors to funds established to make Scholarship Grants and Individual Achievement Awards. Such involvement may include developing criteria for awards, serving on grant selection committees and recommending others for places on selection committees.

2. Selection of Grantees

Grantees are to be selected on an objective and nondiscriminatory basis. The group from which grant recipients are selected must be sufficiently broad so that giving grants to one or more members of the group fulfills a charitable purpose; however, selection from such a group is not necessary if one or more grant recipients are selected on the basis of their exceptional qualifications to carry out the purposes of the grant or it is otherwise evident that the selection is particularly calculated to effectuate the charitable purpose of the grant rather than to benefit particular persons or a particular class of persons. For example, selection of a qualified research scientist to work on a particular project does not violate the requirements of this paragraph if the scientist is selected from a group of three scientists who are experts in that field.

A. Scholarship Grants

In connection with Scholarship Grants, Community Foundation staff and designated members of selection committees established for such awards shall contact high school, college and graduate school administrators as well as managers of other relevant community institutions to advertise the availability of the Community Foundation's Scholarship Grants and to request that these administrators nominate potential candidates or encourage potential awardees to submit applications for scholarship aid.

B. Individual Achievement Awards

In connection with Individual Achievement Awards, Community Foundation staff and designated members of selection committees established for such awards shall contact relevant community institutions and individuals to publicize the availability of the Community Foundation's Individual Achievement Awards and to solicit nominations for such awards. Candidates for such awards may take no part in the selection process.

C. Awards and Prizes to Achieve a Specific Objective

In connection with Awards and Prizes to Achieve a Specific Objective, Community Foundation staff shall

develop application or nomination procedures that are appropriate to accomplish the purposes of the Fund under which any such award is established.

3. Eligibility:

Donor Intentions – To ensure adherence to the donors’ intentions in creating the fund, it is paramount that each memorandum of understanding (MOU) is referenced for conditions of eligibility. Aspects of a scholarship vary based on the donor intentions in establishing the fund.

Eligible Candidates – Those eligible to apply per individual scholarship must meet the general eligibility conditions to be viable candidates.

Related Persons can impact eligibility based on several factors.

- A. If a scholarship is solely funded by the “donor” or the scholarship is established in a Trust then Related Persons and Family Members are ineligible to apply.
- B. If the scholarship is funded 50% or more by Related Persons then Family Members as well as Related Persons are ineligible to apply.

Further, it is noted that Related Persons are eligible to apply, in cases where a fund is held in a family name, when the scholarship is funded 50% or more by non-Related Persons. Annual evaluation of contributions to scholarships will be conducted by grant and scholarship staff to establish eligibility of Related Persons prior to each funding cycle.

4. Criteria for Selection

The criteria to be used in selecting grant recipients from a fund established at the Community Foundation must be based on criteria that are appropriate to accomplishing the underlying purpose of the grant as described in the agreement creating such Fund. Community Foundation staff should work with donors to establish Funds that fulfill the donor’s charitable goals and feature clear selection criteria.

A. Scholarship Grants

For Scholarship Grants, such criteria may include, but are not limited to, the following: prior academic performance, performance of each applicant on tests designed to measure ability and aptitude for educational work; recommendations from instructors of such applicant and any others who have knowledge of the applicant’s capabilities, additional biographical information regarding an applicant’s career, academic and other relevant experiences, financial need and conclusions which the grant selection committee may draw as to the applicant’s motivation, character, ability, or potential. Criteria may also include the applicant’s place of residence, past or future attendance at a particular school, past or proposed course of study or evidence of his or her artistic, scientific or other special talent. Preference may be given to applicants of a particular sex, race, ethnic background or religion so long as such preference does not violate public policy.

Recipients of Scholarship Grants must be (1) primary or secondary school students; (2) undergraduate or graduate students at a college or university who are pursuing studies or conducting research to meet the requirements for an academic or professional degree; or (3) students – whether full-time or part-time – who receive a scholarship for study at an educational institution that provides an educational program acceptable for full credit toward a bachelor’s or higher degree, or offers a training program to prepare students for gainful employment in a recognized occupation and is authorized under federal or state law to provide such a program

and is accredited by a national recognized accreditation agency and all Scholarship Grants must be used for tuition and related expenses (as further described in Section 8 below) at an educational institution described in IRC § 170(b)(1)(A)(ii), i.e., such institution must normally maintain a regular faculty and curriculum and must normally have a regularly organized body of students in attendance at the place where the educational activities are carried on.

The Community Foundation reserves the right to impose additional, minor reasonable restrictions and/or requirements upon the awarding of Scholarship Grants and the administration of such grants. Any substantial or material changes will be made only with approval of the Community Foundation's Board of Directors.

B. Individual Achievement Awards

In connection with Individual Achievement Awards, such criteria may include but are not limited to: the individual's past achievements and community involvements, other biographical information regarding an applicant's career, academic and other relevant experiences.

The Community Foundation reserves the right to impose additional, minor reasonable restrictions and/or requirements upon the awarding of Individual Achievement Awards and the administration of such grants. Any substantial or material changes will be made only with approval of the Community Foundation's Board of Directors.

C. Awards and Prizes to Achieve a Specific Objective

In connection with grants to individuals to achieve a specific objective, produce a report or other similar product or improve or enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill or talent of the grantee that relates to the Community Foundation's mission, recipients may include graduate students, scholars, professionals or other individuals with specialized skills or knowledge. Criteria shall be related to the purpose of the Fund under which the award is established and may include prior experience, contributions to the field, demonstrated academic achievement, financial need, character, ability, motivation and potential. In connection with scholarships awarded to pay for a course of study leading to a certificate or a higher skill level, criteria shall be related to the purpose of the Fund under which the award is established and may include financial need, character, ability, motivation, potential and the relevance of the candidate's course of study and career objectives to the charitable purposes of the Fund.

5. Grant and Scholarship Review Teams/Committees

The Community Foundation shall appoint all members of any review team/committee charged with the evaluation of candidates for Scholarship Grants, and Individual Achievement Awards, in accordance with the Grant and Scholarship review Teams/Committees description in the Definitions section.

No combination of Donors, persons recommended or designated by Donors (or persons related to any of these persons) to a Fund that makes Scholarship Grants or Individual Achievement Awards may, directly or indirectly, control any review team/committee established in connection with such Fund. For example, Donors, persons recommended or designated by Donors and persons related to any of these persons shall not constitute a majority of any such selection committee (persons may include individuals, partnerships, corporations or trusts). Where a Donor recommends a person for appointment to a review team/committee based on objective criteria

related to the expertise of such person, such person will not be deemed to be appointed or designated by the Donor. Donors and related persons may provide advice with respect to the selection of grant or award recipients solely as members of a minority member of the review team/committee.

Every member of any review team/committee charged with the evaluation of candidates for Scholarship Grants and Individual Achievement Awards shall adhere to the relevant policies of the Community Foundation as they may be adopted and amended from time to time, including without limitation a conflict of interest and confidentiality policy. Every member of any review team/committee charged with the evaluation of candidates for Scholarship Grants and Individual Achievement Awards shall be obligated to disclose any personal knowledge of and relationship with any potential grantee under consideration and to refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any potential grantee or grantees are selected over others. No grant covered by this policy may be awarded to any member of the Community Foundation's Board of Directors, any substantial contributor to the Community Foundation, any employee of the Community Foundation, or any other disqualified person as defined in IRC § 4946(a) with respect to the Community Foundation, or, with respect to grants from a particular Fund, any Donor or substantial contributor to such Fund or any member of a selection committee to such Fund, or for a purpose that is inconsistent with the purposes described in IRC § 170(c)(2)(B).

Annually each review team/committee member will complete a Confidentiality form and a Conflict of Interest Policy form, as outlined in the Confidentiality description of the Definitions section. Family members and others who may have a conflict of interest may not be eligible to serve on the review team/committee. Situations include but are not limited to a distant relative is applying to a memorial scholarship established in the name of great-grandparent or a nephew through marriage is applying for a scholarship.

Each review team/committee established under this policy shall forward its recommendations to the Central Kansas Community Foundation staff in such form and on such schedule as the staff shall establish. Based on the nature of the award, a less or more formal submission may be requested.

The Central Kansas Community Foundation Board provides community foundation staff the authority to approve any or all of the grants made under this policy. At the start of each year, the board of directors is provided with and approves the available to spend report. From this, staff is able to move the process of review team/committee's final recommendations forward. The Board of Directors is provided regular grant reports that reflect current distributions.

6. Application and Nomination Process

Applicants for Scholarship Grants and Awards and Prizes to Achieve a Specific Objective shall be required to submit such application forms and supporting materials as the Community Foundation may deem appropriate on a schedule to be determined by the Community Foundation. Individuals and organizations wishing to nominate others for Individual Achievement Awards shall also be required to submit such nomination forms and supporting materials as the Community Foundation may deem appropriate on a schedule to be determined by the Community Foundation.

7. Grant Renewals

Grants will ordinarily be awarded for a one-year period but may be for a shorter or longer period. A Scholarship Grant or an Award or Prize to Achieve a Specific Objective may be renewable for a period appropriate to the purposes of the Fund under which the award is established. Otherwise, the Community Foundation may consider renewing a grant on a case-by-case basis according to the status of the grantee's project and the purposes of the grant.

8. Supervision of Scholarship Grants

A. General Procedures

Unless otherwise provided in the fund agreement establishing a Scholarship Grant, each Scholarship Grant shall be paid by the Community Foundation directly to the educational institution for the use of the scholarship recipient. Each educational institution must be described in IRC § 170(b)(1)(A)(ii) and must agree in writing to use the grant funds to defray the scholarship recipient's expenses or to pay the funds (or a portion thereof) to the recipient only if the recipient is enrolled at such educational institution and his or her standing at such educational institution is consistent with the purposes and conditions of the grant.

Unless otherwise provided in the fund agreement establishing a Scholarship Grant, a condition of each Scholarship Grant is that it will be used only for qualified tuition and related expenses within the meaning of IRC § 117(b)(2), and for room and board. Accordingly, a Scholarship Grant can be used only for: (1) tuition and fees required for the enrollment or attendance of the student at a qualifying institution; (2) fees, books, supplies, and equipment required for courses of instruction at such an educational institution; and (3) room and board. An additional condition is that no part of the Scholarship Grant shall be used as payment for teaching, research, or other services by the scholarship recipient required as a condition for receiving the scholarship.

B. Special Procedures

If for any reason, a Scholarship Grant is paid to a person other than the educational institution attended by the scholarship recipient or if the Scholarship Grant is used for expenses other than qualified tuition and related expenses within the meaning of IRC § 117(b)(2) or for room and board, the Community Foundation must receive a report on the progress of each recipient of such a Scholarship Grant at least once each year. This report must include a summary of the use of the funds awarded, and the grantee's courses taken (if any) and grades received (if any) in each academic period. This report must be verified by the educational institution. A final report is also required.

Where the reports submitted or other information (including the failure to submit reports) indicate that all or any part of a scholarship grant is not being used in furtherance of the purposes of such grant, the Community Foundation is under a duty to investigate. While conducting its investigation, the Community Foundation shall withhold further payments to the extent possible until any delinquent reports required under the foregoing provisions of these procedures have been submitted.

If the Community Foundation learns that all or any part of a grant is not being used in furtherance of the purposes of the grant, the Community Foundation shall take all reasonable and appropriate steps to recover the grant funds and/or ensure restoration of the diverted funds to the purposes of the grant. If such a diversion occurs and the grantee has not previously diverted grant funds to any use not in furtherance of the purposes of the grant, the Community Foundation shall withhold any further payments to the grantee until it has received the grantee's assurance that future diversions shall not occur and shall require the grantee to take extraordinary

precautions to prevent future diversions from occurring.

Where a grantee has previously diverted funds received from the Community Foundation and the Community Foundation determines that any part of a grant has again been used for improper purposes, the Community Foundation shall take all reasonable and appropriate steps to recover the grant funds and/or ensure restoration of the diverted funds to the purposes of the grant. In such case, the Community Foundation shall withhold further payments until: (1) the diverted funds are in fact recovered or restored; (2) the Community Foundation has received the grantee's assurances that future diversions will not occur; and (3) the Community Foundation requires the grantee to take extraordinary precautions to prevent future diversions from occurring.

The phrase "all reasonable and appropriate steps," as used above, shall include legal action where appropriate, but need not include legal action if such action would in all probability not result in the satisfaction of execution on a judgment.

Deferred Payments: A scholarship grant cannot be deferred to a later academic year, than the one for which it was originally awarded. This includes situations where an individual participates in mission work or is enlisted in the United States military. Upon notification of that a student will not attend college or university in the award year, grant and scholarship staff will redirect the award to the next highest scoring applicant.

Forfeiture of Scholarship Grants: If an individual does not return the appropriate documentation, as requested by grant and scholarship staff, by the designated date, the scholarship award will be forfeited. Additionally, at which time an individual does not meet the required stipulations (i.e. GPA, enrollment status) for awards granted in multiple installments, the scholarship will be forfeited for all future installments.

Saving Scholarship Grant Funds: Scholarship awards are considered a liability and cannot be carried over at the end of the Foundation's fiscal year (December 31). A scholarship grant paid out in multiple installments will be processed during the same calendar year in which it was awarded.

Grant and Scholarship Checks: Grant and scholarship award checks are only valid for 180 days after the date in which they were created. The Foundation's ability to reissue an uncashed check may not be possible if the check is not processed within the same fiscal year in which it was issued.

9. Supervision of Individual Achievement Grants and Awards and Prizes to Achieve a Specific Objective

Individual Achievement Grants cannot require a particular use of the funds, and no report shall be required of the recipient.

Recipients of Awards and Prizes to Achieve a Specific Objective or, if appropriate, the organization supervising the grantee's work, will be required to provide a written report to the Community Foundation about their activities and use of funds at the end of the grant period. Future grants will not be awarded to an organization that does not submit a timely report. If the grant is for a term of longer than one-year, periodic written reports will be required at least annually. Any changes in purpose must be requested in writing and approved by Community Foundation prior to any changes being made. Funds that are not expended for the purpose of the award must be returned to the Community Foundation for use in furtherance of its mission and the charitable purposes of the particular Fund under which such award was made.

10. Recordkeeping Requirements

The Community Foundation shall retain the following records in connection with all Scholarship Grants, Individual Achievement Grants and Awards and Prizes to Achieve a Specific Objective: all information obtained by the Foundation to evaluate the qualifications of potential grantees, the identification of grantees (including any relationship of any grantee to the Community Foundation or to a director or officer of the Community Foundation), the purpose and amount of each grant, and any additional information the Community Foundation obtains in complying with its grants administration procedures. Information pertaining to unsuccessful applicants for awards shall be kept along with information on successful applicants.

Grant and scholarship staff will follow-up with select scholarship recipients each year. Additionally, organizations that receive grants from designated and donor advised funds will be selected and asked to complete follow-up requirements for the Foundation. Each competitive grant recipient will be required to complete a follow-up form at the end of the grant period. Non-compliance with scholarship and grant follow-up requirements may render an individual or organization ineligible to receive future grants from Central Kansas Community Foundation and its Affiliates.

The scholarship review team/committee completes the Scholarship Disbursement Recommendation Form and returns to grant and scholarship staff for processing. An example of this form is contained within the Due Diligence Supplemental Material document.

Records pertaining to any grant made pursuant to this policy shall be kept for no less than seven years after the filing of the Community Foundation's annual tax return for the period in which the last installment of such grant was paid.

Appendix A: Procedures

Internal Grant-Making Procedures

A Request for Distribution Form is completed at the Central Kansas Community Foundation based on the wishes of the requestor.

Unless otherwise noted in a fund's memorandum of understanding, the requestor should be a named fund advisor, which may include a donor, successor advisor, board member, or staff member, usually the executive director, associated with the fund and/or organization. If requesting distribution from an agency fund, the executive director of said agency may request a distribution. It is encouraged that staff and/or board members requesting grants provide board minutes as documentation to support the distribution.

Fund advisors can be changed by notifying an appropriate CKCF staff member. If the fund is associated with an organization, a board member, or staff member, usually the executive director, will contact CKCF to request a change and will include meeting minutes confirming that such a change should be made. Successor advisors may become fund advisors if they are noted in the memorandum of understanding and designated fund advisor at the appointed time.

All grant requests are subject to approval from the relevant Board of Directors. All grants are then ratified by the CKCF Board of Directors in the Executive Summary at its next regularly scheduled meeting. Grants and scholarships are ratified by the CKCF Board of Directors, so they do not inhibit the Foundation's timeliness of processing grant and scholarship checks.

The Foundation will then conduct a reasonable investigation of the grantee to assure that the grantee possesses the capacity to perform the charitable activity to be funded by the grant. Reasonable investigation may include but is not limited to a review by CKCF grant and scholarship staff and/or accounting staff to detect any ineligible distributions. Once CKCF grant and scholarship staff and/or accounting staff confirm the organization the organization's name or tax ID number, the grant can be entered and processed in accounting software.

Requests for both competitive and non-competitive grants and scholarships will be processed as soon as possible, throughout the year, by grant and scholarship staff. One exception is scholarship grants that are paid out in two installments. In such cases, awards will be made as soon as students verify enrollment, prior to the fall term; and in December, after grant and scholarship staff receive the second round of student verification, but prior to the beginning of the winter/fall term.

Once the organization has been located, CKCF grant and scholarship staff and/or accounting staff selects the grantee from the list of grantee profiles available in accounting software. The CKCF employee then identifies the grant date, description, as identified in the distribution recommendation form, dollar amount, and granting fund. Upon creation of the grant in accounting software, the CKCF employee completes a Charity Check, via GuideStar or similar online database, which verifies the charity's status and timestamps the grant. The CKCF employee who enters the grant also attaches appropriate documentation to the grant, which may include, but is not limited to, the Request for Distribution Form, board minutes, or a request from an advisor in writing.

After all relevant grant information is entered into accounting software, CKCF grant and scholarship staff and/or accounting staff the grant for approval. The Executive Director reviews grant requests and supporting documents, before approving each grant in accounting software. Then, the grant requests become vouchers, which printed in hardcopy form on a regular basis by an accounting staff member.

An accounting staff member enters the check number according to the check run. The accounting staff member also runs an edit report, verifies the entries, and posts the entries to the ledger.

Checks, along with supporting documents, are reviewed to verify name, address, fund, and amount. The Executive Director then authorizes each check. Checks over \$20,000 require two signatures from authorized signers.

Signed checks are mailed by a CKCF staff member, along with appropriate documentation, as needed.

Appendix B: Examples

Examples of other grants that fall within these general grantmaking

- Public recreational facilities that are open and accessible to the entire community
- Library enhancements that would not otherwise be supported through local taxes
- Health care and wellness facilities and programs that serve the general public
- Fire and rescue equipment and training
- Support for community events such as parades or festivals open to the public
- Streetscape improvements that increase safety and enhance the physical environment
- Arts events and performances that are open and accessible to the public
- Human service programs for the underprivileged, such as food pantries, meal on wheels, holiday gift programs, transitional shelter and rehabilitation
- After school programs that offer educational and recreational opportunities
- Faith-based institutions providing programs that serve the general public

Examples of “strategic” grants that address long-term community building

- K-12 education enhancements, such as curriculum that connects students to their local community.
- Support for vocational, fine arts, and entrepreneurship education to prepare youth for careers in their hometown
- Grants to support and retain good teachers with additional education and enrichment resources
- Sponsoring leadership training for a broad base of community members to build skills in strategic planning, conflict resolution, delegation and leadership transition
- Sponsoring education events that increase awareness and encourage community dialogue about community issues and opportunities
- Funding HomeTown Competitiveness (or similar) activities
- Funding to bring entrepreneurship, business and marketing training to your community
- Support for youth entrepreneurship programs such as 4-H
- Investments in licensed, high-quality childcare centers operated by 501(c)(3) organizations (including churches)
- Providing scholarships to non-traditional students whose increased skills and education will benefit the community
- Providing scholarships to students with an interest in returning to the community (exception, DAFs cannot fund scholarships)
- Support for mentoring program such as Big Brothers/Big Sisters
- Support for programs such as FBLA, FFA, and 4-H

Examples of “Normal Purpose Rule” grants

- Examples include, but are not limited to: Blight Reduction, site preparation, main street marketing, tax abatement, free utilities, etc.
 - Example 1 – Demolition/Site Preparation
 - Grant to tear down dilapidated structure and prepare site for redevelopment
 - Site then sold to business
 - Support: Grant to public Economic Development Authority for a business outcome (startup or expansion)
 - Example 2 – Storefront Renovation
 - Grant to city for “blight” removal

- Re-granted to main street businesses to spruce up storefronts
- Support: Grant to city with an outcome to capture tourists' dollars and more local shopping