



# Givinga Foundation

## GRANT MAKING AND CHARITABLE RECIPIENT DUE DILIGENCE

### I. Policy

It is the policy of **Givinga Foundation** (GF), in partnership with Givinga, Inc., to perform due diligence procedures on each charitable organization or qualified business or individual granted funds by the GF, including grants made by an GF Account Holder from a donor advised fund (DAF). The GF only makes grants to charities, comparable charitable organizations, and qualified businesses or individuals in accordance with this policy and exercises full authority and control over the making of every donor advised fund grant. This policy is designed to ensure that each grant recipient is qualified to receive a grant including grants connected with a specific DAF and that the grant is not made for a disqualifying charitable purpose. The GF does not make grants to individuals or organizations that do not serve a charitable purpose.

A word about the GF's relationship with Givinga, Inc.: The GF has selected Givinga, Inc. to act as the technological, administrative and operational partner for the collection of grant information, reporting, and maintenance and payment of donated funds and grants. The GF has entrusted Givinga, Inc. to act as its agent in most of the due diligence processes and Givinga, Inc. is expected to perform at all times according to these and all other appropriate processes and procedures determined necessary.

In general, the GF's policies and procedures for grant due diligence are designed to assess the risk associated with:

#### A. Identity of Grant Recipient

The GF implements a risk-based approach to determine the type and degree of due diligence to perform for each grant recipient. The GF's risk-based approach distinguishes between U.S. charities that self-identify that their activities are predominantly U.S.-based, and U.S. charities that self-identify that their activities are predominantly to pass-through to foreign based charities and foreign based charities.

Grant recipients may be disqualified for a number of reasons. Examples of disqualified grant recipients include non-501(c)(3) exempt organizations, private non-operating Foundations, Type III non-functionally integrated supporting organizations, organizations that are not yet recognized by the IRS, organizations that otherwise fail the GF's due diligence procedures and organizations that appear on a watch list such as the list of Specially Designated Nationals (SDN) maintained by the Office of Foreign Asset Control (OFAC), foreign based charities.

To meet this objective, the GF relies on Charity Navigator as the cornerstone of its identity due diligence procedures. Such reliance is consistent with the guidance provided in IRS Notice 2006-109 (51 I.R.B.1121) as revised by Revenue Procedure 2009-32. Where Charity Navigator does not provide adequate information about a potential grant recipient, the GF requires additional procedures to be

performed consistent with its risk-based approach. See Appendix A for the GF's Grant making Due Diligence Risk- Based Matrix.

In instances where a grant recipient is not rated by Charity Navigator but is deemed to be in compliance with GF internal guidelines as well as federal regulations, GF will approve the Grant recipient and request a formal approval process be undertaken with Charity Navigator for future rating purposes.

## **B. Amount of the Grant**

If an individual Grant request is over \$100,000, the Foundation's policies require that one of the Foundation's officers personally review the Grant due diligence paperwork and authorize the Grant. All Grants at any amount less than \$100,000 will follow a standard due diligence process authorized by the Foundation.

## **C. Charitable Purpose of the Grant**

The GF implements procedures designed to ensure that no grant is made for a disqualifying charitable purpose. The GF implements these procedures in order to maintain its exempt status as a charitable sponsor of donor-advised funds and to avoid the imposition of excise taxes on the GF, its officers and Account Holders.

Grants may be made in honor or in memory of a loved one or to support specific programs maintained by a qualified charity. However, grants may not be made to benefit an Account Holder or family member; pay for dues, membership fees, tuition, goods from a charitable auction or other goods and services; support a political campaign or lobbying activity; or to fulfill an existing, binding pledge. In addition, the GF does not reimburse disqualified persons for expenditures made on behalf of a donor-advised fund.

When an Account Holder recommends a grant, the Account Holder certifies that the grant is not for a disqualifying purpose. Further, the GF reviews each grant's charitable purpose as one of several items in its grantmaking due diligence procedures.

# **II. Regulatory Environment**

## **A. Federal Charitable Statutes and Regulations**

The GF makes grants to qualifying organizations described in IRC §170(c)(2)(B) and IRC §501(c)(3). However, the GF does not make grants to private non-operating foundations or non-functionally integrated supporting organizations.

The GF does not make taxable distributions as defined in IRC §4966(c). As such, the GF does not make grants to individuals nor does the GF make grants to organizations for a purpose not described in IRC §170(c)(2)(B) unless the grant is made subject to the expenditure responsibility requirements of IRC §4945(h).

In accordance with IRC §4967, the GF does not make payments to any person listed in IRC §4958(f)(7) that would be considered a prohibited benefit.

The GF implements these safeguards in order to maintain its exempt status as a Sponsoring Charity of donor-advised funds and to avoid the imposition of excise taxes on the GF, its officers and Account Holders.

## **B. Anti-Money Laundering / USA Patriot Act**

To assist grant making charities with compliance with Anti-Money Laundering statutes and the USA Patriot Act, the Treasury Department issued Anti-Terrorist Financing Guidelines: Voluntary Best Practices For U.S.-Based Charities (Voluntary Best Practices) in December of 2005.

While Treasury's guidelines are voluntary, Section VI of the Voluntary Best Practices contains recommended practices that charities may consider before making a charitable grant. The GF has developed its Grant making Due Diligence Matrix (See Appendix A) and processes based on these Voluntary Best Practices.

The GF vets its own officers and directors against the OFAC SDN list when appointed.

If the GF uncovers an organization or other party that is suspected of activity relating to terrorism the GF will take appropriate due diligence steps to determine if the match is valid. These steps may include the steps and further guidance available on OFAC's Web site at [www.treas.gov/offices/enforcement/ofac/faq/answer.shtml#hotline](http://www.treas.gov/offices/enforcement/ofac/faq/answer.shtml#hotline).

The GF will report to the proper authorities any suspicious activity relating to terrorism.

## **III. Grant making Due Diligence Framework**

### **A. Grant Recipient Risk-Based Segments**

The GF has segmented the charitable grant recipient market into the following risk-related segments listed in increasing order of assessed risk:

**U.S.-Based, Registered Charities** – This group is comprised of U.S. charities registered with the IRS whose activities are predominantly U.S. based. While private non-operating foundations and Type III non-functionally integrated supporting organizations technically fall within this category, they are disqualified from receiving grants.

**U.S.-Based, Non-Registered Charities** – This group is comprised of U.S. charities that have NOT registered with the IRS as a charitable organization whose activities are predominantly U.S. based. Examples of these charities include most churches and state and federal government entities, such as towns and police departments, but may also include some charities that have not yet been recognized by the IRS as a charity. Most types of organizations generally receive their tax-exempt, nonprofit status upon incorporation or creation and do not need to separately register as a charitable organization with the IRS.

**U.S.-Based, Registered “Friends of” Charities** – This group is comprised of U.S. “Friends of” charities that are registered with the IRS, but serve as intermediaries to a limited set of pre-identified foreign charities that were the subject of their exempt organization application. Often, these U.S.-based, registered charities support one foreign charitable institution or charitable programs in a limited geographic region. In this market segment, the GF relies on the internal grant making due diligence procedures of the grant recipient charities.

**U.S.-Based, Registered “Conduit” Charities** – U.S. charities registered with the IRS that serve as intermediaries to a wide range of foreign charities under their own due diligence policies and procedures. Often, these charities support multiple foreign charities and charitable programs in a large geographic region. In this market segment, the GF relies on the internal grantmaking due diligence procedures of the grant recipient charities.

**Foreign Charities** – The Givinga Foundation grants to foreign charities through partnerships with NGO Source and Global Giving> We also have the ability to Conduct Expenditure Responsibility (ER) reviews for specifically requested charities not covered by our two partners.

**Individuals Affected by Disaster** – The GF makes available Disaster Relief Funds that can be used to support individuals and businesses affected by disaster as described in IRS Section 139.

## B. Charity Navigator

The GF provides full access to and makes extensive use of Charity Navigator’s service to aid in vetting grant recipients. The GF anticipates that Charity Navigator’s due diligence procedures will provide adequate risk mitigation for more than 90% of its grants made each year. Charity Navigator:

- Verifies that a charity is included in the IRS’s Business Master File,
- Verifies that a charity is included in IRS Publication 78,
- Incorporates weekly updates from the Internal Revenue Bulletin,
- Identifies the charity’s public charity classification,
- Identifies whether the charity is classified as an IRC §509(a)(3) supporting organization
- Includes the result of Charity Navigator’s OFAC verification.
- Rates and ranks each charity using a sophisticated database.

## C. Churches, Governmental Units and Other Qualified U.S. Charities Not Found in Charity Navigator

Certain otherwise qualified U.S. charities do not appear in Charity Navigator, either because they are not required to register with the IRS or because their registrations are in process. Where this is the case, it is the GF’s policy to conduct an increased level of scrutiny before approving or denying a proposed grant.

### 1. Churches and Other Religious Institutions

Most churches and other religious institutions do not register with the IRS and therefore are not listed in the Charity Navigator database. Nevertheless, they are generally qualified as a permissible charitable grant recipient under IRC §§170(c)(2)(B) and 170(b)(1)(A)(i). When a

religious institution is the proposed grant recipient and is not listed in the Charity Navigator database, the GF performs reasonable additional procedures to verify its status as a religious institution. These procedures may include research of the organization's internet website, finding the organizations on a third-party authored directory or registry of churches or religious institutions and/or obtaining documentation directly from the institution.

## 2. Governmental Units

Governmental units do not register with the IRS and therefore are rarely listed in the Charity Navigator database. Nevertheless, governmental units are generally qualified as a permissible charitable grant recipient under IRC §§170(c)(1) and 170(b)(1)(A)(v). When a governmental unit is the proposed grant recipient and is not listed in the Charity Navigator database, the GF performs reasonable additional procedures. These procedures may include contacting the governmental unit directly to obtain written confirmation signed by an official (e.g., City Attorney or County Clerk) on official letterhead substantiating that the recipient entity is an eligible governmental unit.

## 3. Other Qualified U.S. Charities Not Found in Charity Navigator

The GF's policy is to prohibit grants to organizations that are not listed in the Charity Navigator database (other than churches or governmental units). However, in rare cases the GF may choose to make such a grant under the expenditure responsibility exception of IRC §4966(c)(1)(B)(ii) or upon the GF's determination that the organization is eligible to receive charitable grants.

## D. Individuals or Businesses Affected by Disaster

The GF allows support of individuals or businesses affected by disaster in accordance with IRS section 139. Qualified disaster relief payments include payments for the following expenses:

- Reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster
- Reasonable and necessary expenses incurred for the repair or rehabilitation of a personal residence due to a qualified disaster (a personal residence can be a rented residence or one you own)
- Reasonable and necessary expenses incurred for the repair or replacement of the contents of a personal residence due to a qualified declared disaster.

Qualified disaster relief payments **do not** include:

- Payments for expenses otherwise paid for by insurance or other reimbursements
- Income replacement payments, such as payments of lost wages, lost business income, or unemployment compensation.

## **E. International Purpose Grants to “Friends of” and “Conduit” Organizations**

These types of organizations typically appear in the Charity Navigator database. However, the international purpose of such grants requires an additional level of scrutiny. Once the GF has verified the organization’s qualified charity status (e.g. via Charity Navigator), then a proposed grant that otherwise meets the GF’s grant making criteria will be approved for payment.

## **F. Foreign Grants**

Foreign grants may be made when can be vetted for equivalency of a USA based charitable organization. GF uses NGOsource to complete Equivalency Determination reports on all supported foreign organizations. This process can take several weeks and may require a minimum Grant amount. If an Equivalency Determination cannot be created or certified by NGOsource for any reason, GF will deny the Grant.

## **G. Other Considerations**

The GF recognizes that reliance on lists and other parties does not constitute the full spectrum of potential due diligence procedures. Therefore, the GF encourages its officers, directors, employees, agents and Account Holders to be generally aware of the environment in which the GF and its grant recipients operate.

To this end, GF staff are regularly encouraged to:

- Pay attention to media reports of activities of various organizations and governments both in the U.S. and abroad;
- Participate in industry trade groups in order to receive input from other grant makers and regulatory authorities; and

Be aware of pronouncements by governmental agencies that bear on the GF’s grant making activities.

## Appendix A

### Grant Making Due Diligence Risk Based Matrix

The following risk assessment matrix is derived from the Treasury Department's Anti-Terrorist Financing Guidelines: Voluntary Best Practices For U.S.-Based Charities published in December of 2005. The matrix focuses on the vetting of grant recipient organizations and their personnel.

In developing the matrix, the GF has assigned a risk level to each recommended practice. The purpose of this risk level assignment is to assess the necessity of implementing the practice in order to mitigate risk. The assignments are made across identified market segments. Therefore, a practice that is of nominal value in one market segment may be of highest importance in another. The GF's decision to implement or not implement a particular practice for a particular market segment reflects the GF's assessment of the contribution of that practice to risk mitigation in that market segment.

A decision to make a grant is based upon a comprehensive assessment of all relevant risk factors. Risk factors are not weighted equally. Therefore, failure to satisfy one or more risk factors is not necessarily conclusive as to whether a grant will be made or denied. At the same time, a failure of any single risk factor could be sufficient to prohibit the grant. Given the penalties associated with inappropriate grant making, it is the GF's policy to err on the side of caution and work with Account Holders to seek alternatives when a grant is proposed for a charity which the GF determines presents an unacceptable level of risk.

#### Risk Categories

The GF has chosen to assign risk levels of "Low", "Moderate" or "High" to each recommended practice. In designating risk levels the GF considers the degree to which a particular market segment is regulated by U.S. government agencies such as the IRS, the probability that a particular market segment participates in the U.S. financial system through banking and investment relationships, the probability that the market segment utilizes U.S. governance practices and the probability that a market segment's activities are primarily conducted in the U.S. or its territories. An assignment of "Low Risk" generally meets the above standards and implies that the GF's reliance on the Charity Navigator service is appropriate and sufficient.

An assignment of "Moderate Risk" is warranted where regulation by U.S. government agencies is absent, but there is a high probability that a particular market segment participates in the U.S. financial system through banking and investment relationships, a high probability that the market segment utilizes U.S. governance practices and a high probability that a market segment's activities are primarily conducted in the U.S. or its territories. Under these circumstances, the GF requires that the proposed grant recipient satisfy additional procedures.

An assignment of "High Risk" is warranted where there is little or no regulation by U.S. government agencies, the market segment does not participate in the U.S. financial system and the activities of the

market segment are largely conducted outside the U.S. In this case, Grant requests to organizations in high risk market segments will be rejected.

## GF Risk Assignment Matrix

### The GF Collects Basic Information About Proposed Grant Recipients

	U.S.-Based, Registered Charities	U.S.-Based, Non-Registered Charities	Foreign Grants		
			U.S.-Based, Registered "Friends of" Charities	U.S.-Based, Registered "Conduit" Charities	Foreign Charities
1. The grantee's name in English, in the language of origin and any acronym or other names used to identify the grantee.	Low Risk	Low Risk	Low Risk	Low Risk	High Risk
2. The jurisdictions in which a grantee maintains a physical presence.	Low Risk	Low Risk for churches/religious institutions and governmental agencies Moderate Risk for new unregistered charities	Low Risk	Moderate Risk	High Risk
3. Any reasonably available historical information about the grantee that assures the Foundation of the grantee's identity and integrity, including: (i) the jurisdiction in which a grantee organization is incorporated or formed; (ii) copies of incorporating or other governing instruments; (iii) information on the individuals who formed and operate the organization; and (iv) information relating to the grantee's operating history.	Low Risk	Low Risk for governmental agencies Moderate Risk for churches Moderate Risk for new unregistered charities	Low Risk	Moderate Risk	High Risk
4. The available postal, email and URL addresses and phone number of each place of business of a grantee.	Moderate Risk	Moderate Risk	Moderate Risk	Moderate Risk	High Risk
5. A statement of the principal purpose of the grantee, including a detailed report of the grantee's projects and goals where appropriate (for grants made for \$100,000 or more).	Low Risk	Low Risk for churches and governmental agencies Moderate/ High Risk for new unregistered charities	Low Risk	Low Risk	High Risk
6. The names and available postal, email and URL addresses of individuals, entities or organizations to which the grantee currently provides or proposes to provide funding, services or material support, to the extent reasonably discoverable (for grants made for \$100,000 or more).	Low Risk	Low Risk for churches and governmental agencies Moderate/ High Risk for new unregistered charities	Moderate Risk	Moderate Risk	High Risk
7. The names and available postal, email and URL addresses of any subcontracting organizations utilized by the grantee to the extent reasonably discoverable (for grants made for \$100,000 or more).	Low Risk	Low Risk for churches and governmental agencies Moderate/ High Risk for new unregistered charities	Low Risk	Low Risk	High Risk

8. Copies of any public filings or releases made by the grantee, including the most recent official registry documents, annual reports and annual filings with the pertinent government, as available and applicable.	Low Risk	Moderate Risk	Low Risk	Low Risk	High Risk
9. The grantee’s sources of income, such as official grants, private endowments and commercial activities, as available and applicable (for grants made for \$100,000 or more).	Low Risk	Moderate Risk	Low Risk	Low Risk	High Risk

## The GF Conducts Basic Vetting of Proposed Grant Recipients

	U.S.-Based, Registered Charities	U.S.-Based, Non-Registered Charities	Foreign Grants		
			U.S.-Based, Registered “Friends of” Charities	U.S.-Based, Registered “Conduit” Charities	Foreign Charities
1. The GF conducts a reasonable search of publicly available information to determine whether the grantee is suspected of activity relating to terrorism, including terrorist financing or other support. The GF does not enter into a relationship with a grantee where any terrorist-related suspicions exist.	Low Risk	Moderate Risk	Moderate Risk	Moderate Risk	High Risk
3. With respect to key employees, members of the governing board or other senior management at a grantee’s principal place of business and for key employees at the grantee’s other business locations, the GF, to the extent reasonable, obtains the full name in English, in the language of origin and any acronym or other names used; nationality; citizenship; current country of residence; and place and date of birth. The GF assures itself that none of these individuals is subject to OFAC sanctions (for grants made for \$100,000 or more).	Low Risk	Low Risk for governmental entities Moderate Risk for churches High Risk for all others	Moderate Risk	Moderate Risk	High Risk
4. The GF is aware that other nations may have their own lists of designated terrorist-related individuals, entities or organizations pursuant to national obligations arising from United Nations Security Council Resolution 1373 (2001).	Low Risk	Low Risk for governmental entities Moderate Risk for churches High Risk for all others	Moderate Risk	Moderate Risk	High Risk

# Grant Due Diligence Policy

<p>5. With respect to the key employees, members of the governing board or other senior management described in the preceding paragraph, the GF also considers consulting publicly available information to ensure that such parties are not reasonably suspected of activity relating to terrorism, including terrorist financing or other support (for grants made for \$100,000 or more).</p>	<p>Low Risk</p>	<p>Low Risk for governmental entities Moderate Risk for churches High Risk for all others</p>	<p>Moderate Risk</p>	<p>Moderate Risk</p>	<p>High Risk</p>
<p>6. As a condition to the issuance of a charitable grant, the GF may under certain circumstances require grantees to certify that they are in compliance with all laws, statutes and regulations restricting U.S. persons from dealing with any individuals, entities or groups subject to OFAC sanctions, or, in the case of foreign grantees, that they do not deal with any individuals, entities or groups subject to OFAC sanctions or any other persons known to the foreign grantee to support terrorism or to have violated OFAC sanctions. Otherwise certification information is delivered to the charitable organization in association with any grant payments and the depositing of funds certifies compliance.</p>	<p>Low Risk</p>	<p>Low Risk</p>	<p>Moderate Risk</p>	<p>Moderate Risk</p>	<p>High Risk</p>



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