



# American Endowment Foundation

## **Donor Advised Fund Granting Policy**

**Amendment Date:**

May 20, 2022



## **1.0 Overview**

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### **1.1 Objective**

The timely and proper processing of correctly submitted grants is fundamental to achieving American Endowment Foundation's ("AEF") mission of growing philanthropy. This policy establishes the parameters and guidelines for processing grants and is intended to be compliant with all current laws and regulations. This policy will govern the activities of the Grants Department at AEF and provide guidance to any party that has advisory privileges to a donor advised fund administered by AEF.

### **1.2 Scope**

This policy is applicable to all donor advised funds that are administered by AEF.

### **1.3 Target Audience**

This policy is intended for all parties that have granting privileges or advisors to parties with granting privileges.

### **1.4 Policy Owner**

The Grant Administration Manager is responsible for the implementation and compliance with this policy. The Executive Vice President is responsible for the oversight of the Grants Department and review of this policy.

### **1.5 Effective Date**

This policy was amended and effective on May 24, 2022.

### **1.6 Role of Director of Grant Administrator**

The Grant Administration Manager is responsible for reviewing the grant recommendation for compliance with this policy and processing payment if a grant is approved.

### **1.7 Future Regulatory Changes**

AEF reserves the right to modify this policy to comply with all regulatory changes or Internal Revenue Service ("IRS") regulations concerning donor advised funds or grant recipients.

## **2.0 Grant Requirements**

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### **2.1 Authority to Recommend Grants**

AEF donors and authorized individuals with granting privileges ("authorized individuals") may recommend grants to eligible charities.



## 2.2 Minimum Grant Amount

AEF has a minimum grant amount of \$250.

## 2.3 Grant Review

AEF performs its own due diligence on all grant recommendations to assure that the grantee is in good standing with the IRS. AEF follows a strict review and approval process to:

- ensure all grant dollars are issued for qualified charitable purposes,
- avoid taxes and penalties put in place by the Pension Protection Act of 2006, and
- protect AEF's tax-exempt status.

## 2.4 [Intentionally Deleted]

## 2.5 Eligible Grantees

Grants can be made only to IRS-qualified public charities. These are organizations that are tax exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and, either are classified as public charities because:

- the organization is a publicly supported charity (Section 509(a)(1) of the Code),
- the organization is an exempt purpose activity-supported charity (Section 509(a)(2) of the Code), or
- the organization is a Type I, Type II or functionally integrated Type III supporting organization (Section 509(a)(3) of the Code).

Eligible public charities include the full range of charitable organizations, including, but not limited to, hospitals, scientific and medical research organizations, religious organizations and places of worship, environmental and educational organizations, libraries, museums and arts organizations and any other organization or institutions formed and operated for charitable purposes.

AEF may also make grants to (i) certain private operating foundations meeting specified requirements of the Code and (ii) certain units of governments (e.g., public schools, colleges and universities, town and municipal governments and police departments) meeting specified requirements of the Code. Private non-operating foundations and Type III non-functionally integrated supporting organizations are not eligible grantees.

AEF qualifies an organization to ensure its charitable purpose. AEF reserves the right to require additional documentation from the charity to perform additional due diligence, including but not limited to, a reasoned legal opinion from the organization. AEF reserves the right to decline to make a recommended grant to a charitable organization.



## 2.6 Ineligible Grant Recipients and Prohibited Transactions

Individuals, private non-operating foundations, non-functionally integrated Type III supporting organizations and lobbying organizations, political campaigns or other political entities are not eligible to receive grants from AEF.

AEF approves only those grants that are used exclusively in furtherance of charitable purposes. In accordance with this policy, AEF will decline a grant:

- where the grant will confer more than an incidental benefit on a donor as described in Section 3.1 of this policy,
- where the grant will be used for lobbying, for political contributions or to support political campaign activities,
- where the grant will be used for improper purposes,
- where the donor and related persons control the organization,
- where AEF provides a substantial portion of the organization's public support, and
- for other reasons in accordance with AEF's policies and procedures in effect from time to time.

AEF will inform the donor via written notice or electronic mail transmission, typically within two weeks, if a recommended charity is ineligible or the transaction is prohibited.

## 2.7 Dormant Donor Advised Funds

In accordance with our mission, AEF encourages donors to grant funds to qualified charities for charitable purposes throughout the life of the donor advised fund. AEF recognizes that some donors choose to delay recommending grants for a period of time, intending to allow the fund's balance to grow. In such event, AEF requires that the donor provide a written long-term charitable plan to provide for the eventual recommendation of grants.

Throughout the year, AEF will review donor advised funds for granting history and will contact donors who have not submitted a long-term charitable plan or any grant recommendations for the past 36 months. If a grant has not been made within the past 36 months, donors will be asked to submit a grant recommendation within 30 days. If the donor fails to respond, AEF will make a grant of \$250 from the fund to the charity to which the donor last granted. If no grants have been made, AEF will make a grant to a charity as directed by policies and procedures adopted by the Board of Directors with respect to such grants.

## 2.8 Closing of Donor Advised Funds

Before a donor may close his or her donor advised fund, a closing grant recommendation must be submitted via AEF's secure online portal. AEF will qualify the grant recommendation in accordance with the terms of this policy and, if approved, will typically make the final grant payment within 30 to 45 days following the grant recommendation to order to complete a final accounting of the donor advised fund.



## 2.9 Pass-Through Funds

From time to time, a donor may make a grant recommendation that AEF deems a “pass-through” for a particular project or organization. AEF defines a pass-through as a grant recommendation in which 80% of the fund’s assets will be granted within a 180-day period from inception of the donor advised fund. AEF encourages donors to contact their financial advisors prior to setting up a donor advised fund that may be deemed a pass-through as AEF will review each pass-through recommendation on a case by case basis and may decline such recommendation or impose additional terms and conditions upon such recommendation in its sole discretion.

## 2.10 Anti-terrorism

All funds and grant recommendations made from such funds will be used in compliance with all applicable anti-terrorist financing and asset control laws, statutes and executive orders.

## 3.0 Qualified Charitable Purposes

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### 3.1 Benefitting an Individual

#### Incidental Benefits.

Grants from a donor advised fund cannot be used to benefit an individual, either directly or indirectly. A grant must be used exclusively for charitable purposes. Donors and their family members cannot receive anything beyond an incidental benefit from a charitable organization to which they made a grant. Incidental benefits include, but are not limited to, recognition, newsletters, t-shirts, key chains, and other small value tokens.

#### Support Grants.

These grants are used to support individuals doing missionary work for a religious organization. If the named individual is related to the donor, he or she will be deemed a disqualified person and the grant cannot be approved. Related individuals include the donor and the donor’s spouse, siblings (by whole or half-blood), spouses of siblings (by whole or half-blood), ancestors, children, grandchildren, great-grandchildren, and spouses of children, grandchildren and great-grandchildren.

If a donor recommends a grant to an eligible charity to support the missionary work of an individual, AEF will contact the donor to ascertain if the named individual is a disqualified person. If the named individual is a disqualified person, the grant recommendation will be denied. If the individual is not a disqualified person, the grant will be approved with a statement added to the grant letter identifying the missionary.

Donors may recommend a grant to an organization that sponsors children provided that the donor is not related to the child.



### Scholarship Grants

Scholarship grants administered by an eligible charity can be made from donor advised funds, but must be made payable to the organization in which the scholarship originated. The donor may not designate any individual to benefit from the scholarship. AEF will not send a grant for the payment of fees and other costs directly to the school the student will be attending on behalf of that student. The grant payment will be made payable to the organization sponsoring the scholarship for the benefit of the scholarship fund.

The donor and other members of the donor's family may participate on the scholarship committee but may not represent the majority of the committee regarding the recipients.

### Fundraising Grants

Donors may recommend a grant for a fundraising campaign for a charitable cause (i.e., walking or biking fundraisers for a charitable organization) where an individual is responsible for the fundraising but does not receive more than an incidental benefit from the fundraising.

## **3.2 Salary Payments**

Grants may not be used to support the salary of a donor or related party working at a charitable organization, nor can AEF designate the individual holding the position a beneficiary of the grant. AEF can make grants in support of the position, but not the individual.

## **3.3 Pledges**

Donors may recommend a grant to fulfill a pledge to a charitable organization provided that AEF makes no reference to the existence of the pledge when making the grant, the donor does not receive any benefit that is more than incidental on account of the grant, and the donor does not attempt to claim a charitable deduction with respect to the grant.

## **3.4 Quid Pro Quo Benefits**

Grants may not be used for any purpose for which the donor would receive a quid pro quo benefit, such as the benefit or privilege to attend a dinner, gala, auction, athletic event, concert, or any similar charitable event. For example, AEF will not approve grants to colleges that give the donor the right to purchase tickets to athletic events at that college.

AEF will not approve grants for purposes where the donor receives more than an incidental benefit as a result of the grant.

## **3.5 Modifying or Diverting**

Donors may not attempt to modify the purpose of a grant from their donor advised fund, attempt to exert control over the funds, or divert the funds to an improper purpose.

## **3.6 Bifurcated Grants**

AEF does not bifurcate grants. Bifurcation occurs when a grant is split into two parts, the tax deductible and non-tax deductible portions. One part is for an event or membership. The other part is for more than incidental benefits. Current IRS regulations require AEF must send the full



amount of the grant to the organizer. The donor must waive any and all benefits associated with the event or membership.

Grants cannot be used to pay any portion of a donation split into deductible and nondeductible portions. AEF will not approve the recommendation if the receipt of any benefit (i.e., attendance at a charitable event) is contingent upon the grant from the donor advised fund as part of a larger donation.

Current IRS guidance defines the relief of the donor's obligation to pay full price of a ticket or admission to a charity sponsored event a direct benefit that is more than incidental.

### **3.7 Grants for Improper Purposes**

AEF may decline or modify any grant recommendation that, in its sole discretion, is inconsistent with any of AEF's program policies and guidelines in effect from time to time or AEF's charitable purposes. AEF will provide written notice or electronic mail transmission to a donor or authorized individual within 10 business days of such determination by AEF. If AEF discovers that grants have been made for improper purposes, AEF reserves the right to take remedial action.

### **3.8 Termination of Granting Privileges**

In AEF's sole discretion, AEF may terminate any privileges with respect to a donor advised fund or amounts held in a donor advised fund resulting from the violation of this policy and any of AEF's other programs policies and guidelines in effect from time to time. AEF will provide written notice or electronic mail transmission to a donor or authorized individual within 10 business days of such determination by AEF.

## **4.0 Grant Process**

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### **4.1 Number of Grants**

Donors may submit an unlimited number of grant recommendations.

### **4.2 Submission of a Grant Recommendation**

AEF offers a password protected online system to facilitate grant recommendations; donors and authorized individuals must submit grant recommendations through AEF's secure online portal. Any exceptions to this Section 4.2, including any technical difficulties using AEF's online portal, will be made on a limited, case by case basis upon a written request by the donor stating the reason for the exception. AEF will not process grant recommendations submitted as photographs or scanned images.

### **4.3 Granting Privileges to Authorized Individuals**

AEF will allow authorized individuals designated by the donor to have granting privileges; provided that the donor has specified such designation on the donor advised fund application or by requesting approval in writing at a later date. AEF will provide to the authorized individual



access to the donor's online portal to submit grants. Financial advisors who have not been given granting privileges have read-only access to the donor's online portal.

#### **4.4 Sufficiency of Funds and Falling Below AEF's Minimum Account Balances**

AEF will review the donor advised fund account for sufficiency of funds to satisfy the grant recommendation. If funds are insufficient, AEF will not approve the grant. AEF will also contact the donor and/or financial advisor to confirm the insufficiency of funds or request an additional gift. Upon AEF's receipt of an additional gift into the donor advised fund, the donor and/or financial advisor may resubmit the grant recommendation for processing. Insufficiency of funds includes AEF's administrative liquidity requirements in effect from time to time due at the time of the grant request.

In the event the balance in a donor advised fund falls below AEF's minimum account balance requirements in effect from time to time, the donor will be asked to submit an additional gift. If the donor fails to timely respond and the donor advised fund remains below AEF's minimum account balance, AEF will close the donor advised fund in accordance with its policies and procedures in effect from time to time.

#### **4.5 Financial Advisor's Role in Providing Cash for Grants**

After AEF approves a grant recommendation, AEF contacts the financial advisor with a letter of authorization from the fund's investment account. The financial advisor is responsible for making the required cash available and transferring the funds for the approved grant(s) within five business days. AEF reserves the right to suspend a donor's granting privileges until the outstanding letter of authorization has been satisfied.

#### **4.6 Time to Process Grant Recommendation**

Once an organization has been approved as an eligible grantee, payment is typically issued within 7-10 business days. Processing time may be longer during certain times of the year due to a high volume of charitable giving or insufficiency of funds described in Section 4.4. This process may take longer for new charities not previously verified by AEF.

#### **4.7 Method of Grant Payment**

AEF's preferred method of transmitting a grant is through automated clearing house ("ACH") transfer. AEF may request the organization's information for payments made via ACH transfer or wire transfer for current and future grant payments exceeding \$100,000. These electronic transfers will be sent to the charitable organization's depository account. All grants will be issued and sent by AEF to the charitable organization. Donors may not deliver grant checks.

In the event that AEF transmits a grant through a check, typically checks under \$100,000 will be sent via USPS mail. Checks in excess of \$100,000 will be sent complimentary via USPS Priority Mail. Donors may request any check be sent via USPS Priority Mail or overnight delivery, with the fees charged to their donor advised fund.

Upon request, AEF may send grants electronically via wire transfer. Any wire fees will be charged to the donor advised fund.





#### **4.8 Addressee of Grant**

Grant payments will be made payable to organizations as they are registered with the IRS.

#### **4.9 May Contact Grantee**

As part of the due diligence process, AEF may contact prospective grant recipients to obtain information about their charitable activities, particularly if the charitable organization is a first-time recipient. AEF may contact a charity to verify matters including, but not limited to, its tax identification number, preferred mailing address, or to discuss the requested grant.

Occasionally, AEF may contact a charity after a grant was issued to determine if the grant was used for its stated purpose.

All recipient charities of grants in the amount of \$1,000,000 or more will be contacted by AEF prior to approval.

If the charity cannot be reached after multiple attempts or fails to supply the requested information within 30 days, AEF will inform the donor and the grant recommendation may be denied.

#### **4.10 Grant Attribution or Anonymity**

When the grant recommendation is approved, AEF will process a check or ACH payment identifying or bearing the name of American Endowment Foundation along with an acknowledgement letter including contact information for the donor(s) and any statement for the organization provided by the donor. During the grant recommendation process, the donor will select how they would like to be acknowledged by the charity. Options include by fund name, donor name(s) and address, both fund name and donor name(s) and address, or to remain anonymous.

All grant acknowledgement letters will be sent on AEF letterhead.

#### **4.11 Recurring Grants**

Donors and authorized individuals can submit grant recommendations which may be made on a recurring basis through AEF's online portal with the donor or authorized individual's selection of the frequency of the recurring grant recommendation.

#### **4.12 Letter from Donor to Grantee; Statement of Purpose**

AEF will forward personal letters, attachments, and enclosures from the donors to the charities, provided they are consistent with AEF's program policies and guidelines, in effect from time to time.

AEF allows donors to include a statement and/or designate a preferred purpose for the grant funds on the accompanying letter if the statement or designation is consistent with AEF's Program Policies and Guidelines. The donor may not alter the official language of AEF's letter except adding a statement as stated above.



#### **4.13 Grants to Other Donor Advised Fund Sponsors**

AEF will review grant recommendations to other donor advised fund sponsors using the same qualifications as all other grant recommendations. If the grant is approved, assets will be liquidated and a grant check will be delivered by check or ACH transfer.

#### **4.14 Lost or Uncashed Grant Check**

If records indicate that a grant check has not been deposited within 45 days of the issue date, AEF will contact the charity. If AEF confirms that the charity did not receive the check, AEF will initiate a stop-payment order on the check and forward a new check with a revised letter within a reasonable amount of time as determined by AEF in its sole discretion depending on the circumstances. If the issue cannot be resolved, AEF will stop the check and credit the grant amount back to the fund.

#### **4.15 Grant Payment Notification**

Once a grant has been paid, it will be visible through the online portal under “Grants Paid.” The authorized individual making the grant recommendation also receives a copy of the letter sent to the charitable organization either electronically or by USPS standard mail.

#### **4.16 International Grants and Fees**

AEF may approve grants to foreign charities through an intermediary organization. These grant recommendations are vetted pursuant to a third-party review and approval process, which may lengthen processing time.

Grants processed to foreign charities through AEF’s intermediary will be assessed additional transactional fees for vetting and processing by our international partner. Applicable fees are either taken from, or added to, the proposed amount. AEF will discuss the fees with the donor upon submission of the grant recommendation and before processing.

If the intermediary is unable to process the grant recommendation after vetting, the fee charged by the intermediary will not be returned to the donor’s fund. However, the funds originally designated for the foreign charity will be available for a grant to another qualified charity, either international or domestic.