Reference only

Grantmaking Manual

December 2016

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1. Introduction

Executive Summary

The purpose of the grantmaking policy manual is to outline the principles and definitions utilised by the Australian Communities Foundation within its Philanthropy and Impact Committee and team. It will also articulate the current processes, procedures and parameters of the Foundation's grantmaking. The document will cover the policy and process for transactional and Donor requested grants as well as the summary process for discretionary funds that ACF administers including the Impact Fund.

Vision

To inspire and enable accessible philanthropy to build healthy resilient communities and positive social change.

Mission

A trusted and vibrant organisation which generates and distributes philanthropic resources that match donor interests to emerging social issues and needs of communities.

Grantmaking approach and strategy- Our Theory of Philanthropy

A 'Theory of Philanthropy' is a useful tool that can help philanthropic organisations to explore and define their unique vision for impact, approach to philanthropy and core principles of practice.

Landing on a defined Theory of Philanthropy can enable a philanthropic foundation to be clear about the way in which its mission relates to its overall intentions for impact - and how this shapes its practice, including evaluation.

ACF's Theory of Philanthropy (see Appendix 1) was developed in April 2016 and describes:
- How ACF's model - a supported community of philanthropists; and,
- ACF's approach - engaged, connected and collaborative philanthropy;
- Drives its overall vision and expectations for impact:

  1. Encouraging and enabling new generosity
  2. Enabling and leading effective donor practice
  3. Contributing to a connected philanthropic sector
  4. Contributing to social, economic, cultural and environmental justice.

Principles of Practice
- Collaborative leadership,
- Agile, solutions-focused giving,
- Enabling and empowering communities,
- Leveraging to build momentum,
- Innovation and learning

1.1 Background

Australian Communities Foundation was established as the first independent, not-for-profit community foundation in Australia in 1997 as Melbourne Community Foundation. It has evolved over the past 15 years as a community foundation that not only serves its original base of Greater Melbourne but also grown its capacity to provide donor services Australia wide. Our grantmaking has also evolved from a placed based model through initiatives like Macro Melbourne to national and issue based, building on our donor interest areas and giving practices.

1.2 Service Delivery

The Foundation uses its grantmaking expertise and in-depth knowledge of community issues to assist donors develop strategic giving plans and make effective grants that meet their own charitable goals and address needs in the community. As a community, not-for-profit organisation, the Foundation's core purpose is to work with donors to invest in supporting cultural, environmental, economic and social justice.

A core service of the Foundation is its grantmaking and we aim to support organisations to develop programs/projects that:
- Are informed by research, information and consultation relating to the needs of individuals, families, groups and communities to improve outcomes and impact positively
- Respond strategically
- Enhance the capacity of the voluntary and community sector to meet the needs of communities
- Implement, monitor and evaluate to ensure the Foundation's resources are utilised appropriately and effectively

1.3 Aim of the Grantmaking document

This document will outline the policies and procedures relating to the grantmaking activity of the Foundation. Documentation of the Foundation's other activities are compiled separately and include the Australian Communities Foundation's Strategic Plan.

The grantmaking policy outlines the basic criteria by which the Foundation distributes funds to eligible organisations. Decisions regarding the organisations and projects to be considered for support by the Foundation are based on knowledge, research and discussion between the Foundation's Philanthropy and Impact Committee and the Philanthropy and Impact Team.

1.4 Legal and Tax Issues

The Foundation is legally bound under its Trust Deed which is continually monitored and reviewed. It makes grants from four funds and must ensure that all grants comply with the legal requirements set out by the Australian Tax Office and specified in the Public Ancillary Fund (PAF) legislation.

The Foundation distributes its grants through the following mechanisms:

Australian Communities Foundation (ACF) Fund
The ACF Fund is a public fund endorsed as a Deductible Gift Recipient (DGR), and an Income Tax Exempt Fund. Donations to this fund are tax deductible. All grant distributions from the ACF Fund must be made to organisations also endorsed as a DGR referred to in Item 1 of the table in section 30-15 of the Income Tax Assessment Act (ITAA) 1997 and must be income tax exempt.

Australian Communities Foundation Extension Fund
The ACF Extension Fund is endorsed as a Tax Concession Charity (TCC). Donations are non-tax deductible. This fund attracts bequests, sponsorship from companies and other

donations for which a tax deduction is not sought. Any grants from this fund can be made to charitable organisations or individuals/organisations for charitable purposes.

Australian Communities Foundation Scholarship Fund

The ACF Scholarship Fund is a public fund for the provision of educational scholarships, prizes and bursaries. It is endorsed as an Item 1 DGR and donations to this fund are tax deductible. Grants can be given directly to an individual or to a school or other organisations for the purposes of the scholarship. Although a public fund, the Scholarship Fund has a special DGR Item 1 listing. This means it can receive funds from other ancillary funds such as PAFs and other public funds. Donors with sub-funds in the ACF Fund can use the scholarship fund to flow through funds for scholarships.

A scholarship fund must meet the following requirements:

- The recipients must be Australian citizens or permanent residents of Australia.
- The scholarship, bursary or prize must be open to at least an entire state or territory of Australia, or to a region of at least 200,000 people.
- The scholarship, bursary or prize must promote the recipient's education in either or both: a pre-school, primary, secondary or tertiary course; an overseas educational institution, by way of study of a component of a pre-school, primary, secondary or tertiary course.
- The scholarship, bursary or prize is awarded on merit or for reasons of equity.

2. Management Structure

2.1 Philanthropy and Impact Committee Charter

The Board of Australian Communities Foundation has full responsibility for the distribution of all funds under its management. Approval of the Foundation's grants was delegated to the Philanthropy and Impact Committee in August 2016. In December 2016, further delegations were established for the approval of donor requested grants under $50,000. These grant approvals are now delegated to management through a process of due diligence through the Philanthropy and Impact staff team. The Philanthropy and Impact Committee and the team operates under the Philanthropy and Impact Committee Charter and the ACF Delegation policy which outline the responsibilities and delegations for both parts of the organisation.

2.2 Philanthropy and Impact Committee

The Philanthropy and Impact Committee's purpose is to advise the Board on the Foundation's grantmaking strategy and approve its grant distributions as outlined in its charter.

The Committee meets quarterly, with four scheduled meetings for the approval of discretionary and large donor requested grants. The Board receives a copy for noting of all other grants distributions as well as copies of minutes and other relevant papers in line with Committee business.

The Philanthropy and Impact Committee is responsible for:
- Strategy: overseeing and reviewing ACF grantmaking strategy and policy including evaluation and advising the Board.
- Strategic and discretionary grantmaking: Approving large donor requested grants and review ACF advised and discretionary grants recommended for the Impact Fund. Considering and advising the Board on large discretionary grants from the Impact Fund.
- Impact and Reporting: Oversee and monitor ACF's impact and evaluation framework
- Grantmaking services and donor community: Oversee and monitor donor information and engagement program and alignment with strategic priorities.
- Delegations: Approval of grants over $50,000, ACF advised grants and all discretionary grants including those from Impact Funds.
- Monitor and review processes that oversee the ACF management delegations for transactional and donor requested grants.

2.3 Philanthropy and Impact Committee membership

The membership of the Philanthropy and Impact Committee is outlined in the Charter. The Committee is made up of Board members as well as external members who are chosen for their expertise, knowledge base and commitment to the Foundation's vision and mission. External members must be approved by the Board. The Chair of the Committee must be a Board member. The Philanthropy and Impact Committee is serviced by the Philanthropy Manager and Grants and Impact Coordinator.

2.4 Philanthropy and Impact Team

The Foundation employs a Philanthropy Manager and a Grants and Impact Coordinator as well as a Grants Officer to comprise the Grants Team. The Team is responsible for all aspects of the Foundation's granting activities including administration, distributions and due diligence of all grant requests, communication and liaison with donors/sub-funds regarding granting as well as communication with potential grant recipients. The team also manage and assess the Impact Fund proposals and process prior to making recommendations to the Committee or Board for approval. The Philanthropy Manager reports directly to the Chief Executive Officer and is responsible for

managing the strategic delivery of AFC's Grantmaking and Theory of Philanthropy. The Grants and Impact Coordinator is charged with overseeing the grantmaking process on a day-to-day basis with a special focus on learning and evaluation and coordination of information for reporting to Committee and Board. In addition to the administration of the donor requested grants and Impact Fund grant administration, the Grants Officer also provides secretariat support to the Grants Committee.

3. Grants Management

3.1 Introduction

ACF grantmaking is described by three key categories:

i. Donor Advised Grants:

Grants that have made on request from a donor/sub-fund, solely based on the donor/sub-fund's relationship with the nominated charity and/or affinity with its purposes.

ii. Impact Area Grants:

Grants made by a donor/sub-fund that align with ACF's current impact areas[1]. Some of these grants may be Donor-Advised and some of these grants may be ACF-Advised (i.e. granted following advisory support from ACF staff).

iii. Impact Funds Grants:

The ACF Impact Funds are discretionary funds that are managed by ACF, with grants approved by the ACF Board of Trustees. Decision making for these grants is based on an applicant's alignment with ACF's funding model and assessment criteria.

A donor/sub-fund may also co-fund organisations/initiatives alongside the Impact Funds grants. Such grants would be categorised as Impact Fund Grants for evaluative purposes.

Donor requested Grantmaking

This section sets out the process for the distribution of funds by the Foundation to ensure that it makes its grants effectively as well as ensuring that the necessary safeguards are in place to protect the interests of the Foundation, donors and the organisations receiving funds.

For donor requested grants, the Foundation does not currently have an open grants program and so does not have application forms available to the public for individual sub funds. The Foundation reports publicly about its grantmaking through its Annual Report which contains a full list of all grants awarded and organisations supported by sub-funds. Information is also available on the Foundation's website.

Grants are made by the Foundation's Philanthropy and Impact Committee and Management throughout the year for the distribution of grants from sub-funds.

An outline of the donor requested grantmaking process is contained in section 3.4

For the grantmaking process surrounding the ACF Impact Fund or other discretionary programs please see the website for relevant fund guidelines.

3.2 Eligibility and Due Diligence

Grants requests for approval by ACF Management or the Philanthropy and Impact Committee are received by the Foundation through the following mechanisms:

- recommendations from donors based on their areas of interest (donor requested)
- selections by donors via the Foundation's online Funding Directory (ACF Community Hub)
- through recommendations or bespoke research undertaken by the Foundation's Grants Team for donors (Australian Communities Foundation research)
- through the Foundation's identified strategic initiatives- i.e. discretionary grant programs such as the Impact Fund.

As Trustee, Australian Communities Foundation cannot agree to be bound by any direction from a donor as to grants or give assurance that a request will be followed; as a Trustee cannot fetter its discretion under common law relating to trusts. The Foundation's Grantmaking Policy in section four, outlines the criteria by which the Foundation distributes funds to eligible organisations. All grants must meet the legal and tax requirements for distribution from the relevant ACF fund as outlined in this   policy.

The Grantmaking Due Diligence Policy contained in section four outlines the process for a due diligence check by the Foundation when donors are seeking to make a recommendation about a potential grant recipient. It contains the criteria that will be used in determining which organisations have the appropriate structures and policies in place to enable them to effectively utilise grants provided by the Foundation.

If any concerns arise from proposed grant requests that could be perceived at a risk to the organisation, the Philanthropy and Impact Committee and ACF management will ensure that appropriate measures are taken on a case-by-case basis to address this. In the rare event that resolution cannot be reached between the Philanthropy and Impact Committee and a donor regarding a grant request, the matter will always be raised with the Board for discussion and final decision.

The Risk Management Strategy provides a framework for identifying reputational risk.

3.3   Donor Engagement

There are several ways the Foundation works with donors to undertake grantmaking from sub-funds:

- Donors can leave the grant distributions to the discretion of the Trustees, in which case grant distributions will be made to ACF Impact Fund.
- Donors can request grants be made to specific charities and projects of their own choice without consultation with ACF. These requests must be charitable and if necessary be DGR item 1 and TCC endorsed. The Foundation undertakes appropriate checks as per the due diligence policy.
- Donors can access the expertise of the Foundation's grantmaking team to research and undertake due diligence on projects and to submit proposals to the donor for consideration.
- Donors can request projects from the Community Hub submitted online from organisations seeking support and made available on the Community Hub. The Foundation undertakes standard due-diligence on these requests, ensuring they have the correct tax status and are eligible   to   receive   funding.

All grant requests regardless of how they are sourced must be always be approved by ACF management or Philanthropy and Impact committee before they are processed and paid.

3.4 Process in Summary

How to request grants

Grants are requested from sub-funds and are then approved by either ACF management or the Philanthropy and Impact Committee. All grant approvals are distributed to the Board for noting.

All requests for grants must be in writing – the ACF Community Hub provides a place for donors to make grant requests directly to ACF via an online form. This logs your request and set it up for a due diligence process with in our Granted Edge system. If the grant is a large grant or through a partner

organisation, please allow more time for grant processing as they may require added due diligence or further time for approval due to the need for Committee approval.

- There is no limit on the number of grants made from sub-funds, however the balance of the sub-fund must remain at a minimum of $20,000.
- The current minimum grant size is $500.
- The Foundation's Trust Deed does allow it to grant both income and capital. Grants can therefore be made from a sub-fund's capital. Further details are contained in the Foundation's Investment Policy.
- Multi-year commitments can be requested by sub-funds but these will be considered on a case-by-case basis.

Each sub-fund is notified via email that its request/s has/have been received and is advised of the date of approval and payment or the next scheduled Philanthropy and Impact Committee where large requests will be tabled. Sub-funds will be notified if there are issues with compliance or concerns arising from grant requests.

Approval by ACF Management or the Philanthropy and Impact Committee

Each grant request must be reviewed by ACF management for approval in line with the delegations policy. All large grant requests, ACF advised grants and discretionary Grants must be tabled with the Philanthropy and Impact Committee. Grants requests are entered on to the Foundation's database- Granter's Edge and compiled into a Grants Distribution list which is presented to the Philanthropy and Impact Committee at each of its meetings.

Dissemination of grants to recipients

To process the approved grants, the Philanthropy and Impact Committee Chair or delegate will sign the "Request for Payment Memo" for each distribution which authorises the funds to be withdrawn from the sub-fund and into the ACF trust accounts for distribution. In the case of management approved grants a similar Memo will be prepared for the CEO to authorise. The Foundation maintains several accounts for the Main Fund, Scholarship Fund, Medium Term Account, Extension Fund and Cash account. The Grants Officer is responsible for preparing this memo- subject to review by the Grants and Impact Coordinator or Philanthropy Manager.

Once a grant request has been approved by the Philanthropy and Committee or ACF management, a letter of offer is sent to all grant recipients outlining the purpose of funds, and for grants of $10,000 and above, a grant agreement for signature will also be provided.   The letter includes the name of the sub-fund to ensure that the recipient knows where the grant has come from unless the donor requests to remain anonymous.

The Foundation requires that a receipt and / or grant agreement is returned within 30 days of receiving the grant.

Electronic Funds Transfer (EFT) Payment process

The foundation pays all grants via EFT. BSB and Bank Account details will be sought from nominated grant recipients for payment and entered into the Financial Edge system. Organisation bank details will be reviewed six monthly by the AFC grants officer for currency. The process and policy outlined in this document provide detail for mitigating risk in this process.

Grant payments for delegated grants under $50,000 will be paid fortnightly by ACF management, larger grants that require committee approval are paid within a fortnight of their approval.

Grant Reporting and Evaluation

The Foundation requires basic Grant Reports from all organisations receiving funds from an ACF fund. Larger grant amounts or Impact aligned grants report in more detail. A full and detailed outline of the ACF's Monitoring, Evaluation and Learning Framework can be provided on request.

ACF uses monitoring and reporting information to develop a profile of the Foundation's grantmaking and to demonstrate our community impact to board, partners, stakeholder and future donors. We also use this information to inform funding decisions and interest areas for discretionary grantmaking to ensure we meet need within the communities we fund and can properly advise donors about issues and organisations.

Reporting requirements are outlined in Letters of offer and grant agreements. As well as the following information:

- How to access the grant report form on-line through the ACF Community Hub
- Due dates and reporting timelines for grants.
- If reports are unforthcoming, the Foundation will flag the organisation on its records and this may affect future funding opportunities.
- Donors will be forwarded copies of grant reports attributed to their sub-fund, unless they have indicated that they do not wish to receive them.

3.5   Fraud/Breach of Terms and Conditions

The Foundation undertakes due diligence on all grant requests and follows up on outstanding receipts and reports in line with the grantmaking policies. Should there be any concerns or the Foundation becomes aware of fraud or breach of terms and conditions, the grants staff will investigate and report directly back to the CEO and the Philanthropy and Impact Committee Chair in the first instance. Further actions will be determined depending on the severity of the situation, implications for reputational or financial risk to the Foundation as well as other factors such as criminal investigations. A formal policy is outlined in section 4.

3.6   Granting from Bequests

Australian Communities Foundation accepts bequests in a variety of ways and this is outlined in the current bequest policy which can be found online on the ACF website.

Below describes the way ACF will make grants from Bequests:

Existing Sub-funds

When a primary sub- fund holder dies and leaves a bequest to their named sub-fund and a successor contact has been nominated, the sub-fund will continue to operate if the sub-fund balance is at least $20,000.

If no successor contact is appointed, but the primary sub-fund holder has a succession plan (*e.g. a Statement of Wishes on file)* stating that they wish the sub-fund to be maintained, ACF will identify funding opportunities, granting approximately 4% of the sub-fund capital each year. Grants will be in line with the sub-fund's previously identified preferred areas of interest and ACF's Impact Fund granting priorities.

New Bequests Sub-funds

A minimum of $100,000 is required to establish a new named sub fund through a bequest. Funding opportunities will be identified by ACF and these will take into consideration any preferred area/s of interest specified by the donor in a *letter of wishes*, and ACF's Impact Fund granting priorities, or requests from the nominated sub fund contact.

Bequest Sub-funds below $100,000

Once the balance of the bequest sub-fund falls below $100,000, and any successor contacts have advised that they will not be donating into the sub-fund, the sub-fund will be closed and the balance transferred to ACF's Impact Fund for distribution in line with ACF's granting initiatives and, where possible, the donor's areas of interest and wishes.

Section 4: Grantmaking policies

4.1 Grantmaking policy

Version	2
Date of Endorsement	12 July 2012 (8 March 2011)
Date last reviewed	Feb 2014 (Grants Committee)
Signature		Position held	

Purpose

Australian Communities Foundation (ACF) aims to inspire and enable accessible philanthropy to build healthy resilient communities and positive social change. A trusted and vibrant organization, The Foundation generates and distributes philanthropic resources to match donor interests to emerging social issues and needs of communities.

This policy outlines the criteria by which the Foundation distributes funds to eligible organisations. Decisions regarding the organisations and projects to be considered for support by the Foundation are based on knowledge, research and discussion between its Board members, donors, staff and community partners.

Policy

1.   The Foundation makes grants in the following ways:

   1.1   Through recommendations from donors/sub-funds on the basis of their areas of interest.
   1.2   Through Foundation advice and research undertaken for donors/sub-funds.
   1.3   The Foundation's funding directory.
   1.4   Through the Foundation's identified strategic initiatives such as The Impact Fund.
2.   Donors can make requests to the Foundation's Philanthropy and Impact Committee for the distribution of grants from sub-funds. However, the decision as to grantmaking remains within the sole discretion of the Trustee. The Trustee cannot agree to be bound by any direction from a donor/sub-fund as to grants or give assurance that a request will be followed.

3.   Restrictions to grantmaking from each of the Funds are:

   3.1   ACF Main Fund can provide funding to any charitable organization providing they meet the following criteria:

      3.1.1   Endorsed by the ATO as an Item 1 Deductible Gift Recipient (DGR)
      3.1.2   or are included on the Register of Environmental Organisations
      3.1.3   or are included on the Register of Cultural Organisations

   4.   Endorsed by the ATO as a Tax Concession Charity (TCC) in Australia

   4.1   ACF Extension Fund can provide funding to charitable organizations or individuals/organizations for charitable purposes. Preference is given to organizations with ATO endorsement as a Tax Concession Charity (TCC) in Australia.

   4.2   ACF Scholarship Fund can provide funding, in Australia, to an individual, school or other organization for the purpose of the scholarship.

      4.2.1   The scholarship, bursary or prize will be awarded to promote the recipient's education in either or both: a pre-school, primary, secondary or tertiary course; an overseas educational institution, by way of study of a component of a pre-school, primary, secondary or tertiary course.
      4.2.2   The scholarship, bursary or prize will be open to at least an entire state or territory

of Australia, or to a region of at least 200,000 people, and indicated how this will done.

       4.2.3   The recipients will be an Australian citizen or permanent resident of Australia;

       4.2.4   The scholarship, bursary or prize will be awarded on merit or for reasons of equity.

5.   The Foundation has a minimum grant size of $500.00 or at the discretion of the Donor and Philanthropy Manager. If a grant is being made as part of a sub-fund's workplace giving program distribution, donations may be held and distributed when the $500 minimum has been reached or at the end of each financial year. This will be discussed with the fund owner and decided on a case by case basis. Grants staff will work with Donors to raise awareness about the cost of small grants to the organisation.

6.   Sub-funds maintaining a balance of $20,000 or more are eligible to make grants. Sub-fund may not make grants if this results in a sub-fund balance of less than $20,000 except in exceptional circumstances and at the discretion of the Philanthropy Manager.

7.   All requests to make grants must be in writing by the sub-fund owner or approved representative. A Grant Request Form (can be completed via the ACF Community Hub which directly notifies and logs the request with the ACF team).

8.   Subject to the Philanthropy and Impact Committee Charter and the delegation's policy, most requests for grants that are under $50,000 can now be reviewed and approved by ACF management. Grant payments runs will take place fortnightly allowing for the timely approval and payment of sub fund grant requests.

9.   For larger grant requests above $50,000 these require Philanthropy and Impact committee approval. Request for these grants must be made 14 days prior to Committee meetings unless the grant is regarded as an emergency or the timeline prevents timely processing (see section 4.6 Emergency Grant Approval policy).

10.   For other discretionary grants overseen by ACF a separate call for application, assessment, review and approval process will be enacted. Detail on this will be available in the respective funding guidelines for these funds, including the Impact Fund. As per the Charter and delegations policy small agile grants up to $20,000 can be approved by the Philanthropy and Impact Committee from the Impact Fund. For larger grants from the Impact Fund, Board approval is required. Grants are fortnightly or quarterly approved. Approval requires a signed 'Request for Payment Memo' by the Committee chair or delegated CEO to authorize payments.

11.   Grant requests for organisations with outstanding grant reports due will not be tabled for approval at the Philanthropy and Impact Committee until reporting requirements have been met. See 4.4 Grant Monitoring and Project Reporting policy.

12.   Unless otherwise requested by the donors, grant recipients will only be informed of the name of the sub-fund from which the grant has been made. Personal or contact details of donors will not be available to grant recipients unless approval to do so has been received from the donor.

13.   Organisations that have been approved and paid for a grant but subsequently are unable utilise the funding, are requested to make a donation of the grant amount back to the sub-fund via the Australian Communities Foundation website online donations platform.

14.   All paperwork associated with each grant request (signed approval for payment, grant request from the donor, ATO paperwork as needed and other information associated with the grant) is filed in soft copy files against the fund for each month of approval. The granted edge system will save system generated logs on work completed and correspondence. Completed files must be made available during the Audit process.

15. All grant recipients are advised by email and letter of the approved grant amount; the arrangements for EFT payment and the Foundation's requirement for a receipt for the grant

16. All grant recipients receiving a grant of more than $10,000 are required to complete a grant agreement.

17. All grant recipients are required to
    a) Provide an end of Grant Report at the end of 12 months or within 3 months of project finishing.

15. All donors are advised by email of confirmed grant requests and of the date grants are approved.

4.2 Grantmaking due diligence policy

Version	4		
Date of Endorsement	14 July 2008		
Date last reviewed	Feb 2014		
Signature		Position held	

Purpose

This policy outlines the process for basic due diligence carried out by Australian Community Foundation (ACF) when granting to an organisation.

The following criteria will be used in determining which organisations have the appropriate structures and policies in place to enable them to effectively utilise grants provided by the Foundation.

Policy
1. Minimum requirements for all new grant recipient recommendations

     1.1 Proof of Deductible Gift Recipient (DGR) Item 1
     And
     1.2 Proof of Tax Concession Charity status

2. Requirements for new grant recipient recommendations over $25,000

     The donor or ACF on the donor's behalf to seek copies of:

     2.1 Minimum requirements as outlined in point one
     2.2 Audited published financial statement and annual report of activities
     2.3 Evidence of governance structure and process, and that activities are in line with organisational mission and ethos
     2.4 Examples of grant reports for previous funding received (if required or relevant)

3. Requirements for grant recommendations over $25,000 that have previously received a grant

     The donor or the Foundation on the donor's behalf, to seek copies of:

     3.1 Current financial statements
     3.2 Evidence that activities are in line with organisational mission and ethos.

4. Grants awarded through the ACF Impact Fund go through an added assessment and due diligence process. These criteria for assessment are outlined in the Impact Fund guidelines.

Process for addressing concerns involving a grant request

The Philanthropy and Impact Committee and ACF management considers and approves all grant requests and reports to the Board at each of its scheduled meetings. If any concerns arise from proposed grant requests that could be perceived as a risk to the organisation, the Philanthropy and Impact Committee will ensure that appropriate measures are taken on a case-by-case basis to address this. The Committee may:
*   request further research be undertaken or information to clarify or alleviate concerns
*   discuss concerns with donors to ensure that they are fully informed

In the rare event that resolution cannot be reached between the Grants Committee and a donor regarding a grant request, the matter will always be raised with the Board for discussion and final decision.

The Risk Management Strategy provides a framework for identifying real and reputational risk.

4.3 Grantmaking legal and tax issues policy

Version	3		
Date of Endorsement	18 September 2012		
Date last reviewed	Feb 2014		
Signature		Position held	

Purpose
This policy outlines the legal and tax obligations and requirements for Australian Communities Foundation grantmaking.

Policy

1. Australian Communities Foundation operates the following funds:

    1.1 The Main fund is endorsed as a Deductible Gift Recipient (DGR), and as an Income Tax Exempt Fund (ITEF). Donations to these funds are tax deductible. A Public Fund is also known as an Ancillary Fund by the ATO. All grant distributions from these Funds must be made to organisations also endorsed as a DGR referred to in Item 1 of the table in section 30-15 of the Income Tax Assessment Act (ITAA) 1997 and must be a Tax Concession Charity (TCC).

    1.2 The Extension Fund is endorsed as a Tax Concession Charity (TCC). Donations are non-tax deductible. These funds attract bequests, sponsorship from companies and other donations for which a tax deduction is not sought. Any grants from these funds can be made to charitable organisations or individuals/organisations for charitable purposes.

    1.3 The Scholarship Fund is a public fund for the provision of educational scholarships, prizes and bursaries. It is endorsed as a DGR and donations to this fund are tax deductible. Grants can be given directly to an individual or it can be given to a school or other organisations for the purposes of the scholarship.

    A scholarship fund must meet the following requirements:

    1.3.1 The recipients must be Australian citizens or permanent residents of Australia.

    1.3.2 The scholarship, bursary or prize must be open to at least an entire state or territory of Australia, or to a region of at least 200,000 people.

    1.3.3 The scholarship, bursary or prize must promote the recipient's education in either or both: a pre-school, primary, secondary or tertiary course; an overseas educational institution, by way of study of a component of a pre-school, primary, secondary or tertiary course.

    1.3.4 The scholarship, bursary or prize is awarded on merit or for reasons of equity.

1.4 Generally ACF is not required to pay GST on grants to organisations. The principle behind this relates to GST as a tax on 'supply'. The provision of money as grants is not a 'supply' under the GST Act and so GST is not payable by the grant maker (ACF). It also relates to the ACF policies and grant conditions which are within the limit of those agreed with the ATO and are not so onerous that the charity is making a 'supply' to ACF as the grant maker.

In the cases where the conditions for an ACF grant agreement go further than that agreed by the ATO, the Charity will be making a supply to the ACF as the grant maker and the grant will be subject to GST.

Examples of conditions which will make the grant subject to GST include:

- an obligation to repay any portion of the grant not used or required for the project or purpose;
- a requirement for the Charity to advertise or promote the grant maker as directed by the grant maker or in a way which will be a significant cost to the Charity;
- the obligation to provide intellectual property rights in the reports or methodology to the grant maker.

Where a grant is subject to GST, the ACF will pay the GST. In these cases ACF will gross up the amount of the grant to include the amount of GST (if not already factored into the grant amount). This is to ensure the Charity is not 'out of pocket' for the GST amount.

ACF will then require the Charity to return a tax invoice which may enable ACF to claim the input tax credit in respect of the GST, where the grant maker is also registered for GST.

4.4 Grant monitoring and project reporting policy

Version	3		
Date of Endorsement	**22 June 2010**		
Date last reviewed	**Feb 2014 Grants Committee**		
Signature		**Position held**	

Purpose

This policy establishes a set of criteria for the requirement and receipt of reports for Australian Communities Foundation grants.

Policy

1. Australian Communities Foundation will encourage all grant recipients to provide end of grant reporting. Grant reports are required from all organisations receiving Grants from the Foundation, with the following exceptions:

   1.1 where the donor has explicitly requested that we do not do so (subject to approval by the Philanthropy and Impact Committee)

2. Grants reporting requirements of the Foundation are communicated to grantees through the *Letter of Offer and grant agreements.*

3. The *Monitoring Evaluation and Learning Framework* outlines the detail and key evaluation questions and methods ACF uses for grant review and evaluation including templates for grant reports. It also outlines how ACF uses information collected from grantees.

4. If the project/activity is not able to be completed and/or there are funds remaining at the end of the project, the organisation will contact the Foundation to discuss a plan of work and expenditure for the remainder of the project and/or the grant (as per the grant agreement)

5. Organisations receiving multiyear grants are required to submit a progress report before payment of subsequent grants is made.

6. Donors are to be advised of organisations not providing Grant Reports, within the last two years, prior to making further grants to that organisation.

7. Grant reporting and monitoring templates are attached at Appendix 2 and 3.

8. ACF uses monitoring and reporting information to develop a profile of the Foundation's grantmaking and answer key evaluation questions relating to our theory of philanthropy (Appendix 1).

4.5 Requesting funding from Australian Communities Foundation

Version	4	
Date of Endorsement		
Date last reviewed	Feb 2014	
Signature		Position held

Purpose

Australian Communities Foundation does not have a public submission process or formal granting rounds for individual sub funds. This policy outlines the requirement for organisations seeking funding from Australian Communities Foundation donors.

Policy

1. Any organisations may submit short project proposals via the Foundation's web site and the ACF Community Hub. These proposals are subject to the Foundation's due diligence process as outlined in the Grantmaking Due Diligence Policy. Proposals meeting all criteria will be made available to donors (via the donor side of the community hub)

2. Organisations should provide a clear outline of the project/activity, including:

   2.1 the rationale and need for the project
   2.2 strategies and activities to be undertaken
   2.3 clearly identified project objectives and outcomes
   2.4 a project budget
   2.5 how the project will be measured

3. Only applicant organisations with ATO endorsement as an Item 1 Deductible Gift Recipient (DGR) and Tax Concession Charity (TCC) status or are listed on the Register of Cultural Organisations or will be considered.

4. If organisations have received grants from Australian Communities Foundation previously, they should only submit new requests if they have fulfilled previous grant agreements and grant reporting obligations.

5. Organisations can submit a maximum of two funding requests in one calendar year period.

6. Funding requests will remain on the current listing for three months.

7. At the discretion of the Philanthropy Manager, unsolicited requests will not be made available on the Foundation web site:
   7.1 if there is concern about the governance or accountability of the organisation
   7.2 if the request is for general fundraising from a large charitable organisation
   7.3 if the proposed project is not suitable or of interest to our donors

8. Grant applicants will only be contacted if there is interest from a donor in obtaining more information and/or providing a grant for the project.

4.6 Emergency Grant Approval Policy

Version	4		
Date of Endorsement	10 May 2012 (14 July 2008)		
Date last reviewed	Feb 2014		
Signature		Position held	

1. Current grantmaking policy is that large grant requests must be lodged in writing with the Australian Communities Foundation office 14 days before the next scheduled Philanthropy and Impact (PIC) Committee meeting.

2. Grant Committee approval dates for large grants (I.e. above $50,000) occur quarterly.

3. Grant requests falling outside committee meeting dates will be processed in a timely fashion monthly through offline committee approval processes.

4. Requests will also be processed out of schedule if there are special circumstances for which the grant is required urgently by the recipient organisation for immediate and imminent costs associated with program or service delivery.This is at the discretion of the Philanthropy Manager.

5. In these circumstances the Philanthropy Manager will seek an out of process approval via email to every member of PIC for approval.

6. Written approval is required by at least two committee members.

7. All emergency grants will be included in the distribution list of the next scheduled meeting of the PIC.

4.7 Bequest Grantmaking

Version	3		
Date of Endorsement	16 December 2008		
Date last reviewed	Feb 2014		
Signature		Position held	

Purpose

This policy outlines the process in relation to Australian Communities Foundation bequest grantmaking.

Policy

Bequests can be made by new or existing ACF donors with the options for each group outlined below.

1. Existing ACF donors can make a bequest to:
- Their named sub-fund (see ACF sub-fund Succession Policy for conditions relating to successor contacts)
- Another existing ACF named sub-fund.
- ACF's Impact Fund which supports projects to progress major social, ethical and environmental issues that enable positive societal change across the nation. Donors leaving a bequest to the Impact Fund can nominate their preferred area/s of interest in their letter of wishes. These will be considered where possible in allocating grants, based on the Impact Fund's current priorities.

2. A full policy for how donors can make bequests is outlined in the ACF bequest policy on the website.

3. For donors who leave funds through an existing or new named sub fund or with some direction for the Impact Fund, a *letter of wishes* is required which outlines the preferred areas of interest for the funds.

4. If either an existing or new donor leave a bequest to ACF without specifying a preference for the bequest to be attributed to a sub-fund, it will be allocated as part of the ACF Impact Fund's granting initiatives.

5. **Grantmaking from bequests**

Below describes the way ACF will make grants from Bequests:

Existing Sub-funds

When a primary sub- fund holder dies and leaves a bequest to their named sub-fund and a successor contact has been nominated, the sub-fund will continue to operate if the sub-fund balance is at least $20,000.

If no successor contact is appointed, but the primary sub-fund holder has a succession plan (*e.g. a Statement of Wishes on file)* stating that they wish the sub-fund to be maintained, ACF will identify funding opportunities, granting approximately 4% of the sub-fund capital each year. Grants will be in line with the sub-fund's previously identified preferred areas of interest and ACF's Impact Fund granting priorities.

New Bequests Sub-funds

A minimum of $100,000 is required to establish a new named sub fund through a bequest. Funding opportunities will be identified by ACF and these will take into consideration any preferred area/s of interest specified by the donor in a *letter of wishes*, and ACF's Impact Fund granting priorities, or requests from the nominated sub fund contact.

Bequest Sub-funds below $100,000

Once the balance of the bequest sub-fund falls below $100,000, and any successor contacts have advised that they will not be donating into the sub-fund, the sub-fund will be closed and the balance transferred to ACF's Impact Fund for distribution in line with ACF's granting initiatives and, where possible, the donor's areas of interest and wishes.

4.8 Fraud and breach of grant policy

Version	2		
Date of Endorsement			
Date last reviewed	February 2014		
Signature		Position held:	

Purpose

This policy statement concerns fraud prevention and detection and the Australian Communities Foundation's response to fraud or breach of granting conditions.

Foundation staff must report all incidents of suspected or potential fraud or breaches to the Chief Executive Officer (CEO)

All suspected fraudulent or breach activities will be assessed and where appropriate investigated by Foundation staff.

1. Fraud

Fraud is defined as:

"Dishonestly obtaining a benefit or causing a loss by deception or other means."

Fraud is not only a criminal offence but reduces funds available for delivering public goods and services and can undermine public confidence in the Foundation.

For Australian Communities Foundation fraud may also be the abuse or misuse of funds provided. This would also be considered a breach of granting conditions as outlined in Australian Communities Foundation grant agreements.

2. Breach of granting conditions

Breach of Granting conditions could include but is not limited to:

- Failing to return a payment receipt or signed grant agreement
- Failing to report to Australian Communities Foundation on grant activities within the agreed timeframe for reporting
- Expending funds for activities not stipulated in the grant request, letter of offer or grant agreement
- Not expending funds on the activity agreed.
- Fraudulently supplying false EFT payment details.

3. Fraud and Breach Control Plan

Anybody may report allegations of fraud or abuse to Australian Communities Foundation's. In the case of concern about fraud with a grant recipient, this can be reported to any Australian Communities Foundation staff member, who will then escalate the matter to the CEO or in their absence, a board member.

3.1. Controls

EFT authorisation

The authorization of EFT payment details supplied to Australian Communities Foundation requires the signature of two authorised officers of an organisation, one of these must be a CEO /CFO/COO equivalent.

Due Diligence
The due diligence on grant requests made to Australian Communities Foundation is carried by the grants team. This is underpinned by the Australian Communities Foundation Grantmaking policy as well as a Due diligence policy which ensure we check the organisational tax, legal and financial status before we grant.

Financial Acquittal / grant reporting
Fraud mitigation is employed at the grant recipient level through the Foundation's monitoring and reporting policy which requires a grant report including financial acquittal for grants over $10,000. It requires verification by an authorised staff member that the grant funds have been expended or are being expended in accordance with the terms of the grant agreement.

4. Reporting
4.1. Grant Agreement requirements
It is a term of all Foundation Grant Agreements that grantees are under an obligation to immediately notify the Foundation in writing if they become aware of any fraud in relation to the funding or other resources provided under the Grant Agreement detailing the nature of the fraud and any actions that they have taken or will take in response to it. Any Foundation staff member or officer receiving such a report from a grantee must immediately bring the matter to the attention of the Chief Executive. The Chief Executive will then notify the Chair of the Foundation's Grants Committee. Where reasonable evidence of fraud exists the matter should be referred to the relevant authorities for further investigation.

4.2. External – Fraud control measures and procedure – third party informant
Where any staff member or officer of the Foundation receives information alleging fraudulent activity relating to the funding or other resources provided under a Grant Agreement, the matter must immediately be brought to the attention of the Chief Executive. The Chief Executive will ask the informant to provide their allegations in writing together with any supporting evidence. Anonymous allegations will only be acted upon where reasonable evidence of fraud is provided. When requested, the provision of confidentiality to informants will be considered.

Where no evidence of fraud is provided by the informant the process for the Foundation response will differ depending on the status of the grant.

(i) Where a grant is active and yet to be reported on, the Grants Officer with will make note in Granters Edge and take particular care in processing the Grant Report, seeking additional evidence such as an asset register or receipts of expenditure if deemed necessary.

(ii) Where a grant report has been provided, the grantee may be instructed to provide additional evidence such as an asset register or receipts of expenditure. In significant cases involving grants over $25,000, the grantee may also be required to provide separate audited accounts for the grant.

(iii) Where reasonable evidence of fraud has been presented by the informant the Chief Executive will inform the Philanthropy and Impact Committee and ensure that the matter is

referred to the relevant authorities for further investigation.

4.3. Reporting to sub-funds on fraud

Following an investigation by staff, where reasonable evidence of fraud has been found, the Sub Fund/s concerned will be informed about the allegations of fraud and our next steps. In these instances, staff will present what we can confirm about a fraud allegation in a factual and objective way.

5. Review requirements

This policy will be reviewed by the Philanthropy and Impact Committee on an annual basis.

Appendix 1: ACF's Theory of Philanthropy

Our model	Our principles of practice	Our approach	Our focus
Since 1997, ACF has been a home to generous Australians and has formed a connected community of philanthropists. We provide a trustworthy and independent mechanism for donors to engage in philanthropy that is accessible, flexible, relational, values-based and collective. We work with the community to remain agile and responsive to community needs and aspirations for a socially just Australia.	We enable donors to connect to causes they care about. We work in relationship with donors and build connections across our donor community. We inform, educate and inspire our donors to develop their giving practices. We bring visibility to nationally significant issues - and support our donors to connect and meaningfully engage with these issues. We maximise the use of our discretionary funds to demonstrate leadership through progressive models of grantmaking with a focus on strategic impact.	Our approach is based on the concept of connected, collective philanthropy. We harness the collective potential of the ACF community by enabling donors to collaborate – scaling their giving, widening their reach and increasing their potential for impact. We also recognise and value the opportunity for collaboration in the philanthropic sector - by connecting our donors to the work of other foundations, we enable our collective donor community to leverage scale and influence - for greater ultimate impact.	Supporting social, environment, economic and cultural justice. Encouraging new generosity. Enabling and leading effective donor practice. Contributing to a connected philanthropic community.

Appendix 2: Monitoring Templates

Donor Advised Grants	Impact Area Grants	Impact Funds Grants *EOIs (Large Grants) & Small Agile Grants*	Impact Funds Grants *Full Applications (Large Grants)*

1. Organisation contact details
    i.   Post code
    ii. Project contact person			

2. Organisation 'Type'			
3. Organisation 'Subjects' (purpose/focus)			
4. Project 'Populations' (include cultural focus and age)			
5. Intended number of people reached (per 'population' selected in Q4)			
6. Geographic area served (State, District)			
7. Please provide a short description of the proposed work (open text)			

8. What is the primary outcome of this funding? (Select XX options)
    i.   *Strengthening democracy*
    ii.   *Safeguarding the environment*
    iii. *Empowering indigenous communities*
    iv.   *Tackling inequality*
    v.   *Strengthening Australian Communities (general purpose)*
    vi.   *Supporting arts and culture (arts & culture)*
    vii. *Strengthening community development (community development advocacy)*
    viii. *Effective community services and support (community service and support)*
    ix.   *Enabling education, training and employment (education, training and employment)*
    x.   *Growing environment and conservation (environment and conservation)*
    xi.   *Supporting research and health (medical research and health)*
    xii. *Enabling overseas aid and development (overseas aid and development)*
    xiii. *Other (please specify)*			

Donor Advised Grants	Impact Area Grants	Impact Funds Grants *EOIs (Large Grants) & Small Agile Grants*	Impact Funds Grants *Full Applications (Large Grants)*
	8b. What will you be doing to achieve these outcomes? 	Outcome	Activities
---	---
Selected outcome	*Applicant provides short activity statement*		
			8c. Please describe your theory of change for this work (open text table with instructions) | Problem	Your activities	Short term outcome	Ultimate impact
			8d. How do you know that there is a need for this work? *Please describe evidence*
			8e. Please describe the consultation work/collaboration that you have undertaken
			8f. How will this work be change making? *Why this solution at this time?*
9. How will this work enable you to deliver on your organisational mission? (Open text)			
10. How do you intend to use the funding? (Open text)			
10a. Basic pro-forma budget			10a. Full budget detail required

Donor Advised Grants	Impact Area Grants	Impact Funds Grants *EOIs (Large Grants) & Small Agile Grants*	Impact Funds Grants *Full Applications (Large Grants)*
	10b. If over $10,000, budget detail required	10b. If over $10,000, budget detail required	
			11. How do you plan to evaluate this work?

Appendix 3: Reporting Templates

Donor Advised Grants	**Impact Area Grants**	**Impact Funds Grants** *EOIs (Large Grants) & Small Agile Grants*	**Impact Funds Grants** *Full Applications (Large Grants)*

1. [Pre-populate proposed focus from GNF Q10] Did you spend the grant as intended Y/N

    i.   If not, why not?

2. [Pre-populate selected intended outcomes from GNF Q8] Did the grant enable you to achieve your intended outcomes?

Outcome	**No**	**Partially**	**Achieved**	**Exceeded**
<selected outcome from Q8>			*x*	
<selected outcome from Q8>				*x*

	2b. [If over $5,000] Please give evidence to support your answer

3. Did the grant enable your organisation to deliver on its mission?

No	**Partially**	**Achieved**	**Exceeded**
		x	

	3b. [If over $5,000] Please give evidence to support your answer

4. [Pre-populate population groups/numbers from GNF Q4] Did you reach the number of people that you intended to reach?

Population groups	**No**	**Partially**	**Achieved**	**Exceeded**
<selected group/number from GNF Q4>			*x*	
<selected group/number from GNF Q5>				*x*

Donor Advised Grants	Impact Area Grants	Impact Funds Grants *EOIs (Large Grants) & Small Agile Grants*	Impact Funds Grants *Full Applications (Large Grants)*
	4b. [If over $5,000] Please give evidence to support your answer		
5. What was the most significant achievement of this grant? (Open text)			
	5b. [If over $5,000] Please provide examples to support your answer		
			6. How well did your project meet the need that you identified?
			7. What was the most significant learning this grant? (Open text)
			7b. How will this learning affect your organisation's work moving forward? (Open text)
8. Are there any specific plans to continue the work associated with this project? Y/N i. If yes, what is your priority action?			
			8ii. How might ACF best support your organisation to achieve these priorities?
			9. Where you able to leverage any additional funding as a direct result of this grant? Y/N

Question 6 detail (Full Applications column):

Not at all	Partially	Achieved	Exceeded
		x	

6b. Please give reasons for your answer:

Donor Advised Grants	Impact Area Grants	Impact Funds Grants *EOIs (Large Grants) & Small Agile Grants*	Impact Funds Grants *Full Applications (Large Grants)*
			i. If yes, please provide information below:

10. What is the main priority issue that you organisation has?

    ii.   *Equipment*
   iii.   *Infrastructure*
   iv.   *Capacity/staffing*
    v.   *Governance capability*
   vi.   *Fundraising*
  vii.   *Evaluation capability*
 viii.   *Marketing*
   ix.   *Professional development support*
    x.   *Other (please specify)*

Donor Advised Grants	Impact Area Grants	Impact Funds Grants	Impact Funds Grants
			11. Please supply copies of your own evaluation report if available