DETAILED OVERVIEW OF GRANT PROCESS
January 17, 2013

When a proposal is received, the Vice President (or President) briefly reviews it and assigns the request to a specific program sector of the grant budget and therefore to the corresponding Program Officer.   Current sectors are: Legacy, Ideas & Institutions, Implementation & Impact, and IRA.   The annual grant award and payment budgets are prepared jointly by the Program and Finance staff and approved by the Board of Directors.   The grant budget is based on a 12-month rolling average of investments.

The proposals are given to the Program Assistant to log.   Logging a proposal requires entering the request into the Gifts for Windows database, creating a file folder, and sending an acknowledgment letter to the requestor.   If an IRS determination letter was sent, it is set aside for the Grants Administrator.   Payment requests or event dates are noted on õPage Twoö of the Gifts database record to aid with payment scheduling, in the event a grant is awarded.

Each Program Officer reviews, recommends, and researches the requests in their program area. Two to three weeks after the proposal deadline, the Program Staff meets with the Vice President and President to discuss the disposition of the pending requests.   Those decisions are provided to the Program Assistant, who codes them accordingly in the Gifts database.   Requests recommended for declination will have a status code of õStaff Decö and will therefore pull into the list of declinations presented to the Board in the agenda book.   Requests recommended for award will have a status code of õStaff Rec.ö   Program Officers prepare a write-up for each request recommended for award on the agenda.

Requests recommended for award require additional database fields be updated to reflect the amount recommended, the meeting date, the program officer preparing the write-up, and finally the programmatic codes are completed to allow sorting for various reports.   Each recommendation is listed on the Board agenda document in Word, which is created by the Program Assistant.   She also lists the recommendations in the appropriate sector of the Budget Worksheet in Excel.   The Grants Administrator runs a report from Gifts in order to list them on the quarterly agenda checklist.   Working from this checklist, she is able to track the various steps and requirements for each of the recommendations.

The Program Officers prepare the GPR forms (write-ups) for each of the recommendations. These forms will comprise the bulk of the agenda book the Directors will receive a week prior to the Board meeting.   Occasionally, requests are presented to the Board in the form of a Discussion Item write-up and the GPR form is not used.   The Office Assistant will give a copy of whatever was used in the agenda to the Program Assistant to file after the Board meeting.

The Program Assistant provides a grant history of each organization being recommended, which the Program Officers will attach to their GPR forms.

Committees have been established for each of the four program sectors, which are chaired by one of the Foundation's Directors. Each committee, composed of Directors and Staff, meet several weeks before the scheduled Board of Directors meeting. The staff presents their research and recommendations to the Committee. The Committee determines what will be presented to the full Board of Directors at the Board meeting.

The original Committee and Board meeting minutes are provided to the Grants Administrator, who is responsible for keeping all of the original minutes of the Foundation in a binder in a fire-proof file cabinet (except Personnel Committee and Executive Session, which are kept by the VP-Administration).

During the award process, each grant must have its tax exempt status verified. This is done by the Grants Administrator through Guidestar. Using the Charity Check feature, the report for the grantee is printed and attached to their Yellow Checklist to be filed in their grant file. An IRS tax status determination letter is kept on file for every grantee, along with a PDF file on the Foundation's computer network. The exempt status is recorded in the organization's tax record in Gifts, along with the date verified.

The Grants Administrator will also schedule a "hold" payment, equal to the amount of the recommendation, for each request recommended on the meeting agenda. If the request is not awarded, the payment is deleted. Remaining payments, those that were awarded, will be changed to "scheduled" after receipt of the signed grant agreement, assuming the tax status has previously been verified. Payment will not be released until these two items are marked as done in the grant requirements tab of the grant record.

Payments for a grant for a specific project would be determined by the length of the grant period and the date of the event and are split if practicable. Payments for conferences generally cannot be split, for example, because most of the cost culminates shortly before the event. Academic programs are split according to academic/semester periods, with August and January installments typical. Because academic institutions have a short year and various departments to work with, small and frequent installments are cumbersome for the grantee; payments are adjusted accordingly.

The Foundation requires a set of Conflict of Interest forms be completed by each director and staff. One form is a conflict of interest statement asking them to list organizations they are affiliated with; the other asks for disclosure of any possible conflict of interest (including financial and investment relationships, which would be relayed to the Finance Department) or political lobbying activities. These requests are prepared by the VP-Administration and sent under signature of the President. When the completed forms are returned, they are tracked by the VP-Administration who gives them to the Grants Administrator to note in the Gifts database any directors affiliated with grantees. This information is entered in the Conflict field of the organization's record. The organization's conflict code defaults to all requests logged after that point. However, it is necessary to verify that any pending requests for the organization already include the conflict code, and if not, to enter it on the code tab of the pending request. Any Directors affiliated with an organization being recommended for support is disclosed on the Directors Affiliations page prepared for each Board meeting's agenda book. The Director will abstain from voting on the request, and same will be noted in the minutes.

When the signed contract, required in order to release payment, is returned by the grantee, the Grants Administrator marks the requirement complete in the database, changes the payment status from õholdö to õscheduled,ö stamps the contract õenteredö and places it to be filed in the open agency files by the Program Assistant.

Grant payments are scheduled for the first and third Wednesdays of each month.   The Grants Administrator prepares the payment approval form for signature by the VP-Program (the President, in his absence).   The signed form is authorization for the Accountant to release payment.   Blank checks are stored in a locked cabinet in her office.   She keeps a log to show which checks have been removed for processing.   The Accountant prepares the grant checks by exporting payment information from the Gifts for Windows database into the Great Plains Dynamics accounting software.   After the checks are printed, information from Great Plains (check number, date and amount) is imported into Gifts in order to complete the payment record.

The checks are signed via computer scanned image by the Grants Administrator.   Any time the electronic signature is used, the Grants Administrator records on a form the check numbers that have been signed.   The dual signature image is kept secure on the hard drive of her computer (not on the network) and therefore accessible only from her workstation, which is password protected.   A register is kept showing the check number of the checks that have been signed. Checks over $200,000 require two manual signatures of approved signatories, which is coordinated by Accountant.

When the checks have been signed, the Accountant needs to be informed that the signature process was successful so she can proceed with the Positive Pay program.   Specific check related information is sent electronically to the Foundationøs bank as part of the process that verifies each check presented for payment is legitimate.   The Accountant reconciles the checking account monthly with the bank statement; the Controller oversees the monthly reconciliation.

The Grants Administrator prepares the check transmittal letters under the signature of the VP-Program.   After the letters are signed and copied, they are mailed ($200,000 and over are sent by Federal Express).

When the first payment is made on a grant, a copy of the check transmittal letter is filed in the grant file and the file is pulled from the open agency files and purged of extraneous material by the Grants Administrator.   At this point, the following items are clipped to the file folder from bottom up: the proposal and any additional information sent by the grantee; the GPR form or discussion item page; the yellow checklist with the Charity Check report attached; the award letter; the grant agreement signed by both the Foundation and the grantee; and the check transmittal letter.   The file is then filed in the closed agency files (lower level of the Lion House) by the Office Assistant.   She will clip into the file folder additional payment letters, correspondence authorizing grant end-date extension or changes in budget or project, and any other pertinent grant details.   If a grant is cancelled or amended, a note of explanation for the file is also attached.   If Grant Expenditure Accounting is required, these forms would also be clipped to the folder.   The periodic and final reports are loosely filed within, along with any updates or press articles received afterwards.   The Foundation requests a final report when the grant funds are expended, but does not require it on all grants due to their small size or nature of the award.   When the Foundation receives a report from a grantee, the Receptionist identifies the

grant in the database and prepares and sends a thanks-for-your-report letter under the signature of the Vice President for Program or Director of Academic, International, and Cultural Programs. The report with the letter attached is placed in the filing area to be filed by the Office Assistant in the closed agency files.

The grant reconciliation is prepared monthly by the Grants Administrator for the VP-Finance that details grant award and payment information for the month and year-to-date, including cash-flow estimates.

Grants paid by a private foundation to another private foundation, private operating foundation, foreign entity, or sponsored grant require Expenditure Accounting Responsibility (EAR). Using information from the yellow checklist, grants requiring EAR are coded as such in the Gifts database. Following the end of the year in which the grant was paid, the Grants Administrator prepares a Log with this information in an Excel spreadsheet. In January of each year, she prepares a letter under the signature of the Foundation's Vice President for Finance requesting the grantee complete the EAR form and return it signed to the Foundation. The form assures that all of the funds were expended for the project intended. It also requests details relating to the expenditure of the grant. The grantee's response becomes a permanent part of the grant file and is noted on the EAR Log and the requirement's tab of the grantee's request record in the Gifts database. Unexpended funds are followed up on again in July. The EAR log will be attached to the Foundation's tax return for the corresponding year.

Program Officers continually monitor grantees in their sector. The Director of Research and Evaluation provides analysis of the materials presented in the Board's agenda book in relation to the current program budget and coordinates the materials for and assembly of the Board agenda books. The Office Assistant copies the GPR forms and other material for the agenda book, which she then assembles and sends to each Director one week prior to the Board meeting.

Immediately after the Board meeting, the decisions of the Board are provided to the Grants Administrator by each Program Officer or Program Assistant. Each request from the agenda is awarded or declined in the database accordingly. A letter informing those who were declined is prepared by the Program Assistant for signature by the appropriate Program Officer. For each grant approved, a three-page Grant Agreement (contract), along with a cover letter, is prepared by the Grants Administrator. The appropriate Program Officer reviews the letter and contract for accuracy in description and dollar amount. Changes are made as needed, and the correspondence is printed in final form for the signature of either the Vice President for Program or Director of Academic, International and Cultural Programs. The grantee is informed of the payment schedule in the award letter.

If the Board sets any conditions on a grant that need to be met before payment can be released, this is noted as a challenge grant and a requirement is set in the database and included in the contract. When the Foundation receives documentation that the challenge has been met, the code is changed to allow payment to be made.

The Secretary or Assistant Secretary of the Foundation is responsible for providing the minutes of the Board meeting, assisted by staff contributors. Generally, the process is started by the Vice President of Finance, and passed on to the Grants Administrator, who will include the grants that were awarded.

After purging, a grant file is kept for five years in the closed agency files located on the Lower Level of the Lion House.   Annually, a list is run by the Grants Administrator from the Gifts database selecting the grants from the appropriate year to be archived.   They are removed from the filing cabinet by the Office Assistant who places them into boxes for the Foundation's Librarian to prepare before sending them to DataStore to be scanned to a CD-ROM.   The CDs are placed on the network file server.   Any staff with permission to access the PaperVision 32 software can view and print any of the pages contained in the files.   The original paper files are boxed and stored in a humidity controlled vault on the Lower Level of the Hawley House for an additional five years.   Requests declined at a Board meeting are kept in the closed agency files for two years from the Board date and are discarded into the shredding bin by the Office Assistant working from a list prepared monthly by the Grants Administrator.   Out-of-Mandate declinations (proposals immediately turned down by the Vice President without being presented to the Board because they do not fall within the Foundation's mandate or current areas of interest) are kept only one year before being discarded.

Also regarding archiving, the permanent file copies of all Board agenda books are kept at least one year in the filing cabinet next to the closed agency files ending in õZö.   Every even year, the past two years of books are archived to a CD-ROM by DataStore and are available using PaperVision software from everyone's desktop.   They are discarded into the shredding bin after being archived.   Because space is available, three years of the õLibraryö copies are kept in the Garden Level of the Lion House shelving area.   After that time they are dismantled and contents placed into the shredding bins.

If the initial correspondence received from a prospective grantee is deemed to be a letter of inquiry, the Vice President for Program determines if the response should invite the seeker to submit a full proposal, or inform them their project does not fall within the Foundation's mandate.   The responses are termed positive and negative inquiries.   The Receptionist creates the database entry, a file folder, and prepares a form letter under the signature of the Vice President for Program or Director of Academic, International and Cultural Programs, as indicated on each inquiry.   File folders for the positive responses are filed by the Grants Administrator in the open agency files while the out-of-mandate file folders are filed in the closed agency files by the Office Assistant.   The receptionist also creates the hanging file folder labels as needed for the closed agency filing.

The Foundation has four other grant programs in addition to the regular grant program described above, each with different requirements and processes as follows:

Formerly known as the General Contributions Committee (GCC) program, the current Directed Giving Program was authorized at the 11/13/2001 Board meeting.   This program allows a Director of the Foundation to authorize, with the President's approval, a grant(s) up to $5,000 per year to a charitable organization.   The program was expanded in February of 2003 to allow each staff member to designate a grant(s) up to $2,000 annually, with the President's approval.   Each GCC file should contain the request from the Director or Staff, a GCC form signed by the initiator and the President, and the check transmittal letter.   The tax exempt status is verified, noted in Gifts, and a copy of the IRS determination letter is kept with others in the determination letter file.   A spreadsheet with amounts used and balances available is maintained by the Grants Administrator.   These grants are processed as requested throughout the year.

The Bradley Graduate and Post Graduate Fellowship program is an invitation only grant program.   Every other year the Directors renew approval in the amount of $3,000,000 representing $1,500,000 for each of the next two academic years.   The Director of Academic, International and Cultural Programs oversees the program.   She invites the professors continuing in the program, and possibly any new professors, to participate. They are invited to send their letter of request according to the Foundation's Bradley Fellows format.   As each of 60 professors request Fellowship funds (up to $25,000 per term per professor) a grant is awarded in the database and a letter of award is sent to the organization by the program's director.   This two-page letter (which replaces the standard contract) must be countersigned and returned to the Foundation in order for payment to be released.   The tax status is confirmed via Guidestar's Charity Check feature and noted in Gifts by the Grants Administrator.   Each professor is required to submit a final report before his department can receive funds for the following term. Since the Grants Administrator prepares the award letters for the Director's signature, follows up on the reporting requirements and invitations, and makes the database entries, these records are kept according to professor by university in the filing cabinet in her office.

In 2002 the Foundation established a Donor Intent Program whereby unrestricted contributions are received from independent donors.   Donors are permitted to recommend that grants be made to organizations that are qualified as a public charity under Section 501(c)(3) of the Internal Revenue Code in an amount up to the donor's contribution.   Contributions to the Donor Intent Program are irrevocable and all donor recommended grants must be reviewed and approved by the Board of Directors.   Awards recommended by the Donor are entered by the Grants Administrator as pending requests in the Gifts database and coded accordingly.   Their IRS tax exempt status is verified by printing a report from Guidstar's Charity Check feature.   If an IRS determination letter is not already on file, a copy is requested when the check is sent.   When Donor's check has been deposited and cleared the bank, the Grants Administrator awards the grants and schedules them for payment as decided upon by the Vice President-Finance.   She prepares the check transmittal letters (signed by the Foundation's President) and encloses the check for mailing.

2003 was the inaugural year for the Bradley Prizes program authorized at the 11/12/2002 meeting of the Directors.   This program recognizes individuals of extraordinary intellectual talent and dedication who have made contributions of excellence in areas consistent with the Foundation's philanthropic priorities.   Up to four prizes of $250,000 each are awarded annually to individuals who have a demonstrable record of relatively recent achievements and potential for future engagement in work supportive of õlimited, competent government; a dynamic marketplace for economic, intellectual, and cultural activity; and a vigorous defense at home and abroad of American ideas and institutions.ö   This program intends to confer public stature on honorees who are presently engaged in work that õstrengthens American democratic capitalism and the institutions, principles, and values that sustain and nurture it.ö   The award is a gift to reward past achievement, but not lifetime achievement.   The recipient is selected without any action on the recipient's part and the recipient is not required to render future services as a condition to receiving the prize, nor is the prize payment for any past services.   Each year the President and Director of Academic, International and Cultural Programs (Director) put together a national panel of more than 100 prominent individuals who are asked to submit nominations of eligible recipients in a wide range of fields and areas of study.   Nominations are evaluated by an independent selection committee, who make recommendations to the Foundation's Board of

Directors, who will then award the Prizes at a special ceremony arranged by the President, Director, and Chairman of the Prizes Committee. The Foundation will request each recipient complete the required IRS Form W-9. The President will discuss payment arrangements with each winner, and let them know they have the option to designate a tax exempt entity to receive the funds directly from the Foundation instead of accepting the funds. However, they would not be allowed a personal exemption for the charitable donation since it would come directly from the Foundation. Payment to the individual is reported to the IRS on Form 1099-MISC, and therefore included in the winner's gross income for the year in which it was paid. Members of the selection committee are paid a $10,000 meeting fee and are given the opportunity to designate a $20,000 grant to a 501(c)(3) tax exempt organization. The Grants Administrator prepares the database entries of the nominees, the nominee review materials for the selection committee meeting, the selector-designated grants, and invitation lists and other administrative aspects of the program including the invitations and program, all under the direction of the President. The Accountant prepares and mails the checks to members of the selection committee after the W-9 forms are received, according to usual administrative procedures.

When unexpended grant monies are returned to the Foundation, the Grants Administrator enters the refund amount in the payment record of the database, which also amends the amount of the grant awarded. A note of explanation is added to the grant file and the refund is reported to the Directors as a Miscellaneous Action in the Board agenda book. The Accountant prepares the check for deposit into the Foundation's checking account and posts it to the general ledger.

Other Miscellaneous Actions reported to the Board by the Grants Administrator include: conditions of a challenge grant being met; grants transferred to a different organization for the same project; grant commitments activated; Directed Giving and other non-board designated grants awarded; refunds, cancellations and other adjustments.