

Farm Foundation, NFP

Policy: Grant Policies and Guidelines

Adopted April 22, 2009

ARTICLE I - COMPLIANCE WITH FEDERAL AND STATE LAWS

In all matters concerning the granting of grants, and expending Farm Foundation, NFP's ("Farm Foundation, NFP") charitable resources, Farm Foundation, NFP shall fully comply with all State and Federal regulations pertaining to public charities. Specifically this should include requirements under IRC Section 501(c)(3), guidelines pertinent to private foundations under IRC Sections 4958 (although not specifically required for public charities), other pertinent regulations of the Internal Revenue Code of 1986, and applicable revenue rulings. Applicable provisions of the Illinois Charitable Solicitation Act shall also be followed.

ARTICLE II - NON-DISCRIMINATION STATEMENT REGARDING GRANT APPLICATIONS

The Board of Directors of Farm Foundation, NFP shall make all necessary efforts to ensure that grants funds are awarded without regard for the race, color, gender, age, religion, disability, national origin, ancestry, marital status, sexual preference, parental status, military discharge status or source of income of the potential applicants. Application forms will be made available to all who ask for them, and the Board shall request information pertaining only to the applicant's credentials and project goals.

ARTICLE III - THE NATURE OF FARM FOUNDATION, NFP'S GRANT BENEFITS

Farm Foundation, NFP will benefit the public by making charitable grants to qualified organizations and/or individuals in order to support its exempt purpose, which is to serve as a catalyst for sound public policy in agriculture, food systems, and rural regions by developing, disseminating, and publicly presenting educational materials and scientific research findings to bring diverse interests together, thereby fostering a deeper understanding of agricultural and related issues. Any projects funded by Farm Foundation must be non-advocacy in nature and provide balanced and objective information. The total amount budgeted for grants each year will be set annually by Farm Foundation, NFP's Board of Directors.

Grants will be disbursed in accordance with the grant application and implementation policies and procedures that have been approved by Farm Foundation, NFP Board of Directors only to the following recipients:

- (1) to charitable, educational or scientific institutions recognized as tax-exempt under IRC 501(c)(3) for the benefit of the grantee,
- (2) to other organizations exclusively for charitable, educational or scientific purposes, with Farm Foundation, NFP retaining discretion and control within

the meaning of Rev. Rul. 68-489 hereto attached, or

- (3) to individual grantees who are selected on a nondiscriminatory basis without regard to sex, race, color, national or ethnic origin, or any other scrutinized class, and who are not related by blood or marriage to any officer or director of Farm Foundation, NFP. Such grants must be for charitable, educational or scientific purposes, with discretion and control retained by Farm Foundation, NFP within the meaning of Rev. Rul. 56-304, attached hereto.

ARTICLE IV - ELIGIBILITY AND RESTRICTIONS ON GRANTS TO ORGANIZATIONS

Grants may be given to any organization listed in Section III above, as long as the organization or the specific project for the grant will advance the charitable, educational, and scientific purposes of Farm Foundation, NFP and dutifully follows the grant application, implementation and accountability procedures in this document. Funded activities may include: research, education and outreach or public dissemination of information in any of the following areas:

- (1) Energy and Agriculture
- (2) Food, Agriculture and Trade Policy
- (3) Agricultural and Food System Productivity, Research and Technology
- (4) Agriculture in the Environment
- (5) Food Quality, Safety and Consumer Perceptions
- (6) Viability of Rural Regions

ARTICLE V - ELIGIBILITY AND RESTRICTIONS ON GRANTS TO INDIVIDUALS

Applicants must demonstrate interests consistent with Farm Foundation, NFP's charitable, educational, and scientific purposes, must demonstrate that the grant money will advance those purposes and must responsibly follow the grant application, implementation and accountability procedures. Factors to be considered will include work experience and/or academic credentials.

The amount of each grant is in the discretion of the Farm Foundation, NFP based upon the quality of proposals and their potential to advance the Foundation's mission. There are no discriminatory criteria in the grant allocation decision except as is necessary to accomplish the charitable, educational, and scientific purposes of Farm Foundation, NFP. However, no relative of a member of the Farm Foundation, NFP Board of Directors or the Board of Trustees of Farm Foundation, committee member or employee of Farm Foundation, NFP may be an applicant for a grant. Disqualified relationships include immediate family members, employees, or other legal dependents.

ARTICLE VI - RECORD KEEPING

Farm Foundation, NFP must provide for the strict supervision of its grants. For each

recipient of grant money, Farm Foundation, NFP's Secretary or other officer must keep adequate records that include:

- (1) the name and address of each recipient;
- (2) the reason the person was selected;
- (3) the method of selection;
- (4) the family or business relationship, if any, to people connected with Farm Foundation, NFP.
- (5) the original application submitted by the applicant;
- (6) the amount distributed to the recipient.

All relevant information shall be retained in each applicant's file for at least three years after action is taken on it.

ARTICLE VII - APPLICATION AND DISBURSEMENT PROCESS

The application and disbursement process shall be completed in the following manner:

- (1) Application Form. Applications will be made on forms provided by Farm Foundation, NFP. They may or may not be subject to a deadline.
- (2) Review process. Applications shall be acknowledged as they are received, and separate files shall be opened for each applicant. A Peer Review Panel, consisting of at least 3 and no more than 9 members shall analyze and rank the applications. Farm Foundation, NFP will determine the number and level of funding based on the Panel's report. Farm Foundation, NFP shall select recipients for grants whose proposed activities, in the judgment of the organization, will further the exempt purposes of Farm Foundation, NFP. Determinations shall be made twice per year.
- (3) Processing the Application. The priorities for applicant decisions shall focus on work experience and/or academic credentials, the quality of the proposed project or publication sought to be funded, and the individual's or organization's demonstrated ability to achieve the goals presented.
- (4) Donee Acknowledgment. As part of the grant procedure and prior to any disbursement of funds, each recipient shall execute a written statement giving assurance that the funds will be expended exclusively in furtherance of those goals specified in the grant application, and also that each grantee shall report back to the Farm Foundation, NFP quarterly and within 30 days after the end of each fiscal year as to expenditures made and progress made toward project goals. No additional funds will be disbursed for the benefit of any grantee unless the Farm Foundation, NFP has received this assurance in writing.
- (5) Disbursements. The awards shall in all cases, unless otherwise agreed, be disbursed in the following manner, depending on the type of recipient:
 - a. if the recipient is a 501(c)(3) organization, funds will be disbursed

directly to that organization for the benefit of the grantee upon receipt of invoice or other written statement;

b. if the recipient is not tax exempt under 501(c)(3), for the organization's benefit, only if Farm Foundation, NFP retains discretion and control within the meaning of Rev. Rul. 68-489, attached hereto;

c. if the recipient is an individual, to an account established by the individual.

ARTICLE VIII - EXPENDITURE MAINTENANCE AND REVIEW

The expenditure maintenance and review shall be carried out in the following manner:

- (1) Reporting. The recipient shall provide a report to Farm Foundation, NFP accounting for all expenditures as well as a summary of the recipient's activities at the end of the Grant project/activity. -The recipient shall provide quarterly reports to Farm Foundation, NFP to account for expenditures to date, along with a summary of the recipient's progress. The Board of Directors shall review each recipient on at least an annual basis to ensure proper accountability for all funds.
- (2) Accountability. If the grantee fails to provide required reports or if the Farm Foundation, NFP's Board of Directors has any unsatisfied questions about the use of funds, the Board shall conduct an investigation of the facts and circumstances of the matter. If it appears that there has been any misuse of funds by any grantee, a hearing shall be conducted by the whole Board. The grantee shall be invited to attend the Board hearing and may present evidence that justifies its use of grant funds. If the Board concludes that the funds have been misused by the grantee, then there shall be an action by the Board to compel the grantee (in accordance with the above written guarantee) to reimburse Farm Foundation, NFP for the amount of the misused funds.

ARTICLE IX- ALTERNATIVE DISPUTE RESOLUTION

To avoid the expense and time of litigation, Farm Foundation, NFP and recipient will attempt to resolve all disputes outside of court. If the parties cannot reach a resolution of the matter through their own efforts, they agree to then employ more formal dispute resolution methods. Any disputes connected with this grant award process will be brought to mediation within thirty (30) days of the date either party requests mediation in writing. If a mediator cannot be agreed upon, the parties elect to have one provided for them by the American Arbitration Association (A.A.A.) or by Judicial Arbitration and Mediation Services (J.A.M.S. Endispute). If mediation is not successful in resolving the dispute, both parties agree that the matter shall be taken to binding arbitration by a single arbitrator mutually agreed upon by the parties or by an arbitrator selected through A.A.A. or J.A.M.S. Arbitration shall occur within 60 days of the mediation.

ARTICLE X- STATE AND FEDERAL REPORTING

At the conclusion of each fiscal year, the Board of Directors shall provide a full accounting for all funds disbursed. All irregularities shall be reported with full particulars. The grant report shall be made available within 60 days after the end of the fiscal year.

Attachment 1: Rev. Rul. 68-489

Attachment 2: Rev. Rul. 56-304

H:\Farm Foundation Archive\Farm Foundation NFP\Governance Documents\Grant Making Policies\FINAL Grant Policies and Guidelines 10-6-09.doc

Organizations privately established and funded as charitable foundations which are organized and actively operated to carry on one or more of the purposes specified in section 501(c)(3) of the Internal Revenue Code of 1954, and which otherwise meet the requirements for exemption from Federal income tax are not precluded from making distributions of their funds to individuals, provided such distributions are made on a true charitable basis in furtherance of the purposes for which they are organized. However, organizations of this character which make such distributions should maintain adequate records and case histories to show the name and address of each recipient of aid; the amount distributed to each; the purpose for which the aid was given; the manner in which the recipient was selected and the relationship, if any, between the recipient and (1) members, officers, or trustees of the organization, (2) a grantor or substantial contributor to the organization or a member of the family of either, and (3) a corporation controlled by a grantor or substantial contributor, in order that any or all distributions made to individuals can be substantiated upon request by the Internal Revenue Service.

Rev. Rul. 68-489, 1968-2 C.B. 210

An organization will not jeopardize its exemption under section 501(c)(3) of the Code, even though it distributes funds to nonexempt organizations, provided it retains control and discretion over use of the funds for section 501(c)(3) purposes.

An organization exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 distributed part of its funds to organizations not themselves exempt under that provision. The exempt organization ensured use of the funds for section 501(c)(3) purposes by limiting distributions to specific projects that are in furtherance of its own exempt purposes. It retains control and discretion as to the use of the funds and maintains records establishing that the funds were used for section 501(c)(3) purposes. Held, the distributions did not jeopardize the organization's exemption under section 501(c)(3) of the Code.

See also Revenue Ruling 67-149, C.B. 1967-1, 133, holding a charitable organization exempt under section 501(c)(3) where it provides financial assistance to other charitable organizations that are also exempt under section 501(c)(3); and Revenue Ruling 63-252, C.B. 1963-2, 101, and Revenue Ruling 66-79, C.B. 1966-1, 48, for requirements with respect to deductibility under section 170 of the Code of contributions by individuals to a charity organized in the United States that thereafter transmits some or all of its funds to a foreign charitable organization.