MacArthur Foundation

Appendix C: Glossary of Key Terms

Brief

Briefs are written by Program Staff to explain and make the case for every funding request that goes through the grant approval process. Briefs describe project/organization goals, how the work aligns with program strategy, monitoring and evaluation plans, potential risks the work may present, and basic financial information about the organization and project.

Conflict of Interest

A conflict of interest arises when an individual with decision-making responsibility knows that they (or an immediate family member) have a material affiliation with or a material financial interest in the entity or with the individual involved in the transaction or will otherwise benefit financially or derive a significant benefit as a result of the transaction.

Employer Identification Number

Every charity has its own unique federal tax or employer identification number (EIN), which it obtains by applying to the IRS. An EIN is typically a nine-digit number.

Equivalency Determination

A good faith determination made by the Foundation or its designee that the applicant entity is the equivalent of a US charitable organization. An equivalency determination, if it can be made, provides certain benefits, chief among them that the Foundation does not have to undertake expenditure responsibility.

Expenditure Responsibility

The Foundation is required by law to exercise "expenditure responsibility" when it makes a grant to an organization that is not a public charity. Expenditure responsibility requires the Foundation to exert all reasonable efforts and to establish adequate procedures: to see that the grant is spent only for the purpose for which it is made, to obtain full and complete annual and final written reports from the grantee organization on how the funds are spent, to recover funds from the grantee organization that were diverted, not reported upon, or not used for charitable purposes, when possible, and to make full and detailed reports on the expenditures to the US Internal Revenue Service.

Fiscal Agent

A fiscal agent is an arrangement whereby a public charity acts as the legal agent for a project conducted by another entity or group where the latter entity/group generally lacks charitable status. The public charity (the agent) acts on behalf of the project (the principal) who has the right and legal duty to direct and control the agent's activities. A fiscal agent receives the grant funds as a conduit or pass-through and does not exercise discretion and control over the grant funds. In such a case, in the grant agreement, MacArthur designates the fiscal agent as the "fund recipient" and the principal as the "grantee" and both sign the grant agreement.

Fiscal Sponsorship

An arrangement typically between a public charity and a charitable project conducted by an organization, group, or individual that does not have 501(c)(3) status. The public charity receives and expends funds to advance the charitable work of the project while retaining discretion and control over the funds. The donations intended to support a particular project are treated by the public charity as restricted funds dedicated to furthering the particular project's charitable purpose. For MacArthur's grantmaking purposes, the public charity is the grantee and has supervision, control, and discretion for ensuring the funds are properly spent to achieve the project's charitable purposes.

General Operating Support

Candid (formerly the Foundation Center) defines general operating support as: "Support for the day-to-day operating costs of an organization or to further the general purpose of an organization. Also includes support that can be applied to any use or to fund any purpose (unrestricted support)." General operating support can only be given to organizations classified by the IRS as tax exempt or that have received an Equivalency Determination.

Grant Agreement

The contract between the grantee organization and the Foundation regarding the terms of the grant. The fully-executed agreement is saved as a PDF as part of each grant file in the GMS.

MacArthur Foundation

Grant Approval Process

After completed applications are submitted and reviewed by Program Officers and Grants Managers, Program Officers write grant briefs (see Briefs) to summarize the grant to approvers. Briefs are reviewed sequentially by: 1) Program Director and the Evaluation team; 2) Managing Director, Programs; 3) President; and 4) Board (if applicable).

Indirect Cost

Indirect costs are costs for activities or services that support the organization rather than any program or project, including administrative and fundraising costs. These are not costs associated with the delivery of program services; nonetheless, they are essential costs of maintaining and managing the organization through which program services are delivered.

Project Support

Defined by Candid as: "Grants that support specific projects or programs as opposed to general operating support."

Public Charity

Public charities (i) are entities organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, educational, or other related purposes and met the tax-exempt purposes under U.S. Internal Revenue Code section 501(c)(3); (ii) have an active program of fundraising and receive contributions from many sources, including the general public, governmental agencies, corporations, private foundations, or other public charities; and (iii) receive income from the conduct of activities in furtherance of the organization's exempt purposes; or (iv) actively function in supporting relationship to one or more existing public charities as described in US Internal Revenue Code section 509(a)(3).

X-Grants

X-Grants – short for expedited grants – range from $1,000 to $50,000 and are awarded at any time outside of the normal grantmaking cycle. They were established to give programs the flexibility to support short grantee projects with a quicker approval and payment turnaround time. X-Grants support: (1) attendance at a meeting; (2) convening a meeting; (3) knowledge building and professional development; or (4) small research projects. Each program sets aside a portion of their annual budgets for X-Grants, which set the limit on the number of X-Grants made each year.