

The Principal Foundation - Grant Guidelines (last edited June 5, 2024)

Principal Foundation's Grant Guidelines cover a range of issues that may arise when proposing and managing a Principal Foundation grant, including grant eligibility, grant inquiries and submission of an invited application, management of grant funds, modification of grant terms, and expenditure responsibility requirements.

Principal Foundation's Mission and Grantmaking

Principal Foundation supports a wide range of initiatives that advance financial security for all. We have prioritized five program areas – nutrition security, housing security, disaster relief, financial empowerment, and social and cultural connections. We see these program areas as levers that Principal Foundation staff combine in creative ways to advance our primary objective – a world where financial security is accessible to all. It is at the intersections of these areas that we believe tangible, transformative change is possible.

Inquiries and Application Process

Inquiries concerning an invitation to apply for a grant should be sent to foundation@principal.com. Principal Foundation staff will be in touch if we are interested in learning more. Based on the final grant application, Principal Foundation staff will determine whether to recommend a grant to the Board of Directors.

Principal Foundation also invites and considers a limited number of applications to support capital campaigns and other projects outside of our core financial security focus (“Project Grants”). Prospective grantees invited to apply for a Project Grant should consult with Principal Foundation staff about the appropriate content and timing of Project Grant applications and approvals.

Preparing an Invited Grant Application

Principal Foundation's Grant Guidelines provide detailed instructions on how to prepare and submit an invited application. The application should present information in a clear, concise way that enables Principal Foundation staff to assess the scope and significance of the proposed grant.

Eligibility

Principal Foundation makes grants to organizations in the United States that have been determined by the IRS to be section 501(c)(3) charities. The Principal Foundation also makes grants to organizations outside the United States that are equivalent to US public charities.

Funding needs greatly outpace Principal Foundation's funding resources. Therefore, to maximize Principal Foundation's ability to support a variety of impactful organizations in as many of the communities where Principal Financial Group operates, Principal Foundation periodically cycles organizations out of its grant portfolio and will not extend an application invitation for a period of time.

A non-US organization wishing to apply for a grant from the Principal Foundation without a 501(c)(3) ruling from the IRS should be prepared to demonstrate its capacity to receive Principal Foundation funds, either through determination by counsel that it is the equivalent of a US public charity or by

other means of qualification. Alternatively, Principal Foundation, at its discretion, may exercise expenditure responsibility to make restricted grants to organizations without such an equivalency determination. The Principal Foundation does not make grants to individuals.

Types of Grants

Principal Foundation makes spendable grants and, on occasion, Principal Foundation also awards endowment grants.

Spendable grants are to be spent according to the proposal, schedule, budget, and conditions specified in Principal Foundation's grant agreement.

Endowment grants establish institutional funds that are subject to specific spending limitations as indicated in the grant agreement and proposal and governed by applicable state law. Principal Foundation will only consider requests for endowment funds from institutions that can demonstrate the financial capacity to manage the funds on an ongoing basis. Recipients of an endowment grant are to invest and manage the funds prudently and in perpetuity, with the income used to support the program or position designated by Principal Foundation. When requesting an endowment grant, an organization must provide documentation that demonstrates its capacity to invest and manage endowment funds.

Managing Grant Funds

The Principal Foundation's grant agreement specifies the terms of the grant, including the use of grant funds, reporting schedule, and the need to adhere to Principal Foundation Grant Guidelines.

Fiduciary Duties

All grant funds should be managed prudently and should be used for the purposes set forth in the grant agreement. Principal Foundation considers interest and investment income earned on grants to be part and parcel of the award.

Organizations awarded endowment grants must also adhere to their state's [Uniform Prudent Management of Institutional Funds Act](#) (UPMIFA) statute in the investment, management, and spending of such grant funds. UPMIFA statutes generally provide that, subject to the intent of the donor, an organization awarded endowment funds may expend or accumulate as much of the endowment fund as the organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. An organization must receive the written approval of the donor if it wishes to modify or release a restriction on the management, investment, or purpose of an endowment grant. Principal Foundation rarely approves the spending of endowment principal below its historic dollar value.

Grantees are also expected to maintain controls to see that use of grant funds complies with the rules and guidance promulgated by the [United States Office of Foreign Assets Control](#).

Endowment Grants

Proposals for endowment funds should include the following items:

- a copy of the Investment Policy Statement (“IPS”), which must include the: (a) Asset Allocation Policy; (b) Spending Policy; (c) Rebalancing Policy; (d) Conflict of Interest Policy; and (e) roles and responsibilities of the board, the investment committee, staff, and consultants/advisors;
- a description of the decision-making process for making changes to the IPS, and, if applicable, how and by whom managers are sourced and evaluated;
- the current roster of investment managers;
- the current members of the investment committee and the name of any investment consultant or advisor;
- a summary of the actions taken and a list of attendees at the last four meetings of the investment committee, or the minutes of those meetings;
- the current asset allocation;
- investment performance for the past one, three, five, and ten years;
- copies of the two most recent audited financial statements; and
- should a grant be awarded, a commitment to provide, at the conclusion of each of the subsequent three fiscal years, the following: (a) a summary of the actions taken by the investment committee during the fiscal year; and (b) a report on investment performance for the past one, three, and five years.

Reporting and Recordkeeping

Principal Foundation requires timely and informative interim and final grant reporting. Narrative reports should describe the activities undertaken and the use of grant funds, and evaluate the progress made toward achieving the purposes of the grant during the reporting period.

Grantees are required to retain accounting records, detailing all receipts and expenditures, for a minimum of three years following submission of the final grant report. Organizations receiving expenditure responsibility grants are required to keep records for four years. Principal Foundation reserves the right to conduct on- and offsite audits of records related to the use of grant funds. In cases where grantee spending is not consistent with Principal Foundation's award, Principal Foundation reserves the right to take other remedial actions.

Changes in Grant Terms

Principal Foundation recognizes that circumstances may change over the life of a grant, suggesting a need to modify a grant timeframe or other terms. When this occurs, a grantee is required to notify Principal Foundation and seek advance written approval to modify the grant terms.

Grant modification requests considered by Principal Foundation include: (1) reallocation of funds to permit spending in a manner different than that described in the original budget; (2) rollover of funds from an older Principal Foundation grant into a newer Principal Foundation grant; and (3) transfer of grant funds from the original grantee to another organization. Grantees must obtain advance written approval from Principal Foundation for these and other material changes.

Additionally, grantees are expected to inform the Principal Foundation promptly of any significant changes in project staffing or organizational leadership when such changes occur during the grant period.

Steps for Requesting Grant Modifications

A grantee that seeks to modify a grant should first send a brief email to program staff summarizing the proposed modification. Program staff will review the initial request to determine whether to invite a formal modification request through the grantee portal for further consideration and action.

If a formal modification request is invited, key grant contacts will receive an email notification asking them to log in to the grantee portal to submit information about the request. Grantees should provide a detailed description of the proposed modification, setting forth the reasons that funds cannot be spent as originally proposed and the planned activities for the remainder of the grant.

The grantee will receive an email notification indicating whether the requested modification has been approved.

Expenditure Responsibility

To make a grant to an organization that does not have a public charity determination from the IRS, Principal Foundation may elect to exercise "expenditure responsibility" in accordance with IRS rules. Under the expenditure responsibility rules, Principal Foundation is required to establish procedures for assuring that grant funds are spent solely for the charitable purposes intended, and must receive reports from the grantee, and make reports to the IRS, about the grant expenditures. If Principal Foundation elects to exercise expenditure responsibility, the grantee will sign an expenditure responsibility agreement at the time of the award that sets forth spending and reporting requirements. The agreement commits the grantee to spending grant funds only for the specified charitable purposes, maintaining grant funds in a separate account for charitable purposes, and reporting on how the funds have been spent.