

## Life Sciences Discovery Fund

### Policy Regarding Grant Budgets for For-Profit Entities

(Adopted April 6, 2010; Revised December 12, 2014)

In order to secure the maximum benefit to Washington state under the activities it supports and to ensure responsible stewardship of its funds, the Life Sciences Discovery Fund (LSDF) has developed this policy regarding grant budgets. This policy is implemented through the LSDF grant agreement and staff management of awards.

#### A. General

All grants are contingent upon LSDF having sufficient funds and expenditure authorization. All terms and conditions regarding the grant are specified within the grant agreement. LSDF is not responsible for expenditures made prior to the effective date of the grant agreement (unless specifically approved by LSDF in advance) or expenditures in excess of the grant award. Awards are made for a set grant period and are broken down into estimated annual expenditures within defined categories.

Grant funding is provided on a cost-reimbursement basis subject to LSDF's receipt and approval of invoices, expenditure documentation and grantees' timely progress toward completing the grant's milestones. Invoice submission is required for continuous periods of not less than 30 days and not greater than 90 days, and must be submitted no later than 60 days from the end of the invoice period.

Reimbursement is provided for allowable costs incurred by grantees or their agents during the grant period and only for the work specified within the approved Milestones and Timeline. Allowable costs are specified by LSDF, and grant budgets must be consistent with grantees' fiscal policies. Expenditures for facilities and administration are generally allowable, provided that such expenditures represent the true and actual costs of performing the LSDF-funded work and are expressed as direct costs. Consult the LSDF Cost and Spending Guidelines at [http://lsdfa.org/documents/pdfs/Cost\\_and\\_Spending\\_Guidelines.pdf](http://lsdfa.org/documents/pdfs/Cost_and_Spending_Guidelines.pdf) for additional details.

Expenditure of non-LSDF funds to accomplish grant milestones without advance written approval of LSDF will be treated as a cost sharing contribution. A cost sharing contribution is a cost directly related to the grant activities but is not reimbursable by LSDF.

Grantees must record grant-related expenditures in accordance with generally accepted accounting principles and in a form that enables verification that the funds were expended for the stated purposes of the grant. LSDF reserves the right to audit, or have audited, grantees' expenditure records to ensure that funds were spent for the purposes of the grant. After expiration or termination of the grant, grantees must make books and records available to

LSDF and/or its representatives for review, upon reasonable request, for a period of three years following expiration of the grant period. If there are unresolved audit questions at the end of the retention period, the grantee must retain such records until the questions are resolved.

Grantees may not encumber grant funds for expenditures whose nature cannot be accurately determined at the time of execution of the grant agreement without the advance written approval of LSDF. Such expenditures include, but are not limited to, re-granting activities, contracted services, or equipment costs.

Grantees must provide an annual financial report of all expenditures made during each budget year.

Final requests for reimbursement must be submitted no later than 60 days after completion of the activities set forth in the Milestones and Timeline, expiration of the grant period, or termination of the grant agreement, whichever is earliest. LSDF will not make a final reimbursement until it has received and approved the final invoice and progress report for the work.

#### **B. Budget Modification, Carry Forward and No-Cost Extension**

Grantees may exceed the annual allocation of an expenditure category by up to 5% without prior approval, provided the total annual budget is not exceeded. Advance written approval from LSDF is required for budget deviations that exceed this percentage.

Advance written approval from LSDF is required for expenditures that were not previously included in the grant budget; programmatic changes that impact the budget; and the reallocation of funds in excess of 5% between budget categories or budget periods.

Unexpended funds from a budget year may be carried forward to one or more subsequent budget periods upon advance written approval of LSDF. LSDF may, but is not obligated to, entertain requests to carry forward unexpended funds which were previously denied for carry forward. Written requests to carry forward unexpended funds require supporting materials specified by LSDF and must be submitted to LSDF within 60 days of the end of the budget period.

In the event that there will be unexpended funds at the conclusion of the grant period and there are milestones that have not yet been accomplished, LSDF may authorize a no-cost extension of the grant period to allow the grantee to accomplish the milestones. Written requests for a no-cost extension must be adequately justified, require supporting materials specified by LSDF, and must be submitted to LSDF at least 60 days prior to the end of the grant period.

Subject to the permissions granted herein, authorization for a grantee organization to modify, carry forward or extend a grant budget is not a *pro forma* process and is at the sole discretion of LSDF. Disposition of unexpended funds is at the sole discretion of LSDF.

### **C. Supplemental Funding**

A “budget supplement” is funding, provided by LSDF to an existing grantee during the grant period, in excess of the amount specified within the grant agreement. LSDF will consider and may provide grant supplements only under rare and exceptional circumstances. A budget supplement may be provided:

1. when a disruptive event, that could not be foreseen or predicted at the time the award was consummated, threatens accomplishment of the grant’s milestones within the award budget. For example, disruption to LSDF-funded work may be due to a serious event that shuts down all work within an area (e.g., fire), or to an event that disproportionately affects the LSDF-funded work (e.g., equipment, co-applicant, or vendor failure). In such instances, supplemental funding could help the principal investigator accomplish the originally anticipated milestones. LSDF does not consider events that could have been reasonably predicted (e.g., changes in facilities and administrative charges or salary or tuition increases) to be eligible for budget supplementation.
2. when findings in LSDF-funded work, that were not anticipated at the outset, promise significant health or economic benefits to Washington. Examples include a research opportunity that must be exploited quickly or an experiment that will significantly increase the likelihood of additional funding. Experiments performed in the absence of a significant precipitating discovery would not be eligible for budget supplementation.

Grant supplements must be requested in writing by an authorized official of the grantee organization. Supplement requests are expected to be well below the scale of the original grant budget. Provision of a budget supplement is subject to the sole discretion of LSDF and the availability of funds. LSDF may use external expert reviewers and/or the LSDF Board of Trustees in evaluating supplement requests.

### **D. Budget Surpluses**

A “budget surplus” is a positive balance of funds that remains after all of a grant’s milestones have been accomplished. LSDF will consider requests from grantees for authorization to spend a budget surplus provided that the following conditions are met:

1. the grant’s milestones have been or will be accomplished or, at LSDF’s discretion, accepted as met or unachievable;
2. the request is made in writing by an authorized official of the grantee must be submitted to LSDF at least 60 days prior to the end of the grant period;

3. the grantee organization provides an accurate calculation of the budget surplus;
4. the request includes a detailed description of the activities to be performed using the budget surplus along with a set of milestones and a timeline for their accomplishment; and
5. the activities to be performed are consistent with the overall goals of the grant.

Uses of surplus funds could include, but are not limited to: continuation or expansion of research and development to enhance the probability of commercialization, translation to health benefit or follow-on funding; application of study results within a new realm; or implementation of study results into health-care practice.

Authorization for a grantee organization to spend a grant surplus is not a *pro forma* process and is at the sole discretion of LSDF. LSDF may use external expert reviewers and/or the LSDF Board of Trustees in evaluating requests to spend budget surpluses.