

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201404014**  
Release Date: 1/24/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: November 1, 2013**

**UIL: 4945.04-04**

**LEGEND**

X = program  
y = dollar amount 1  
z = dollar amount 2

Dear \_\_\_\_\_ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Your letter indicates that you will offer educational grants through X. X will support individuals that share qualities you value in the pursuit of social justice: vision, innovation, risk, audacity, and strength of character.

Grants for X will be awarded on an objective and nondiscriminatory basis to individuals to achieve a specific objective or to improve or enhance a literary, artistic, leadership, scientific, teaching, or other similar capacity, skill, or talent of the grantee. Grant candidates may not be disqualified persons. Furthermore, candidates may not have a family or business relationship to any member of any committee or your employees involved in the selection process or to any of your officers or trustees. Candidates may not include anyone whose selection would result in a private benefit to any of the aforementioned bodies or individuals.

Eligible individuals include students, scholars, professionals, and other individuals with specialized skills, experience, or knowledge in areas of your interest and within your exempt purposes. Grants will be awarded on the basis of the intrinsic interest of the proposed project, its relevance to your exempt purposes, and the candidate's prior experience and contributions to the field or demonstrated academic achievement.

X will be publicized through your website and other media. Eligible individuals can apply directly to you or be nominated by a committee who are experts in their fields appointed by your Board of Trustees. Each grant candidate will be required to submit a letter of application with supporting documentation, which may include a personal resume, letters of reference from those with expertise in the field, a budget, and a description of how the proposed use of resources furthers your mission.

All grants will be subject to approval by your Board of Trustees. The number of grant recipients selected and the amount awarded to each recipient will be determined by your Board of Trustees based on the number of qualified candidates, the resources needed for each project, and your budget for X. You will award between one and six grants annually ranging from y dollars to z dollars.

You may consider grants of any duration and will evaluate the nature of the proposed objectives within the context of the proposed project time frame. Funds may be granted annually based on annual reviews with the individual. If, on the basis of the grantee's progress, it appears that it would be beneficial to extend the initial grant period, you will consider renewing the grant for a longer period.

Pursuant to a written agreement, X recipients will be required to provide a written report to you at the end of the grant period, detailing their activities, progress, and use of funds. If you make a grant for a period that exceeds one year, periodic written reports providing such information will be required at least annually. If a grant recipient does not account for all funds, any unaccounted funds must be returned to you for use in the furtherance of your exempt purposes.

You will promptly investigate any apparent misuse of X funds or failure to provide required reports. While a matter is being investigated, you will withhold further payments to the individual until you have determined that no part of the grant has been misused and until missing reports have been submitted. You will take reasonable and appropriate steps to secure the repayment of the diverted fund if you discover funds have been misused. In addition, if such diversion occurs and you are making installment payments on the grant, you will withhold any further payments until you have received assurances from the grant recipient and that future diversions will not occur and have required the individual to take extraordinary precautions to prevent future diversions from occurring. You will use all remaining funds for your exempt purposes.

You will maintain the following records:

- (i) all information secured to evaluate the qualifications of potential grant recipients;

- (ii) identification of grant recipients, including all information necessary to assure that a grant recipient is a disqualified person;
- (iii) information on the amount and purpose of each grant;
- (iv) the reports from the individual grantees on their use of funds and any other information obtained in the course of supervising grants;
- (v) any information obtained in connection with the investigation of jeopardized grants.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
  - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

### **Other conditions that apply to this determination**

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to

the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant/loan distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Kenneth Corbin  
Acting Director, Exempt Organizations