

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

**Department of the Treasury**

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**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date:** July 23, 2014

**UIL:**  
4945.04-04

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**

You currently make grants to organizations based in the United States and the United Kingdom. To foster opportunities for those grantees to learn from each other and to make their charitable programs more effective, you will make grants to allow selected individuals to participate in learning exchanges with their counterparts in other countries.

The learning exchanges are designed to improve the capacities and skills of those attending, within the meaning of IRC 4945(g)(3). As part of these exchanges, individual grantees spend a specified amount of time (often one week) with a host organization that operates in a similar program area as their home organization, but in a different country. The individual grantee will attend charitable programs, conferences, convenings and staff meetings, and will meet individually with selected staff, consultants and the host organization's leadership team to learn about the host organization's activities, methods for achieving its goals, communications, fundraising and other aspects of its operations.

You will make grants to cover the reasonable travel expenses (including meals and lodging) and other expenses (including conference fees) of staff members selected by you to participate in a learning exchange. Alternatively, you may pay the costs of or reimburse individuals grantees who incur these expenses to participate.

As part of your grant-making programs, you will provide grants to more than 60 US and UK charities. Individual grantees will primarily be drawn from the individuals associated with these organizations. However, you may also consider individuals who are leaders in their fields but are not currently associated with a grantee. Individuals will be notified of learning exchange opportunities through broad e-mail announcements, telephone or in person or by other appropriate means that may include web- based and other media announcements.

All individuals associated with your grantees, as well as others who are leaders in their fields, are eligible to participate in learning exchanges. No grants will be made to:

- (i) your substantial contributors;
- (ii) members of your Board of Directors;
- (iii) your officers;
- (iv) members of the selection committee;
- (v) any disqualified person with respect to your organization within the meaning of Section 4946 of the Code; or
- (vi) any family members of any of the persons listed in clauses (i) through (v) above.

In addition, no grants will be made for a purpose that is inconsistent with your charitable purposes.

Each individual applicant's name and other supporting information will be provided to a selection committee. It is expected that members of the US and UK program staff, as well as the Executive Director, will serve on the selection committee. The grantees will be selected by the committee using an objective and non-discriminatory process. The committee will typically include three to four staff members who work with multiple grantees from your grantee network to select the best candidates based on objective, nondiscriminatory criteria. The committee will select those individuals that it believes will benefit the most from the opportunities presented by the specific learning exchange.

The number of grants made annually may be impacted by the number of organizations willing to host learning exchanges. At this time, you do not plan on establishing a minimum or maximum number of annual grants. You will in every year make annual qualifying distributions in an amount greater than or equal to your distributable amount, as determined under Code section 4942(d).

The amount of each grant will be equal to the reasonable expenses (including travel, hotels, meals and conference fees) incurred in participating in an exchange.

Payments made to individuals will not be renewable as each learning exchange will have its own separate selection procedures. Therefore, while the same individual could possibly receive more than one grant to attend different learning exchanges, each grant would be entirely separate from the others.

At least once a year you will require reports from the individual grantees on the use of the funds and progress made toward achieving the purposes for which the grants were made. Also required is a final report describing the grantee's accomplishments with respect to the grant and an accounting for the funds received. You will also investigate the use of grant funds if the report provided by the grantee indicates that the funds are being used for a purpose not in furtherance of the grant, and you will take the actions described in Treas. Reg. section 53.4945-4(c)(4) for all jeopardized grants, including withholding any future grant funds not already paid.

You represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigations of 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 distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

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,

Director, Exempt Organizations