

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury**Release Number: 201541011****Release Date: 10/9/15****Date: July 16, 2015****Employer Identification Number:****Contact person - ID number:****Contact telephone number:****LEGEND**

UIL: 4945.04-04

B= Organization
C = Program
D= County
E= County
F= State
G= Organization
H= Organization
J= Location
K = Organization
t = Number
v = Number
w = Number
x dollars = Amount
y dollars = Amount
z dollars = Amount

Dear :

You asked for advance approval of your 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 grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding 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 intend to establish a program called the C in conjunction with the B. The purpose of the program is to provide grants to organizations exempt under section 501(c)(3) of the Internal Revenue Code to fund sabbaticals for the chief executives of the organizations

and to provide a stipend to compensate for the additional responsibilities of the interim leaders during the absence of the chief executives. Funds may also be provided for professional development. The grants are one-time only.

You and the B will provide x dollars for up to w organizations each year to provide a stipend to cover living and travel expenses for each organization's chief executive. In addition, you will provide y dollars as a stipend to be used as additional compensation for the chief executive's second in command, or interim leadership team of senior managers, who will be acting chief executive (or executive team) during the sabbatical. You may also grant z dollars for a professional development fund upon receipt and approval of a brief written proposal outlining the grantee's plans for administration of the fund. Since you and the B will share all program costs equally, you will provide funds for up to v grants each year and share equally in the administrative expenses of the program. The number of grants may be adjusted downward if there are not sufficient applicants meeting the eligibility criteria.

The C will be publicized through a website as well as through targeted distribution of information about the program in the nonprofit and philanthropic sectors in D and E counties in the state of F. You may coordinate with the G and the H to publicize the C. In addition, you expect that public awareness of the C will increase through word of mouth.

In order to be eligible for the C, the candidate must:

- Be the chief executive (i.e. Executive Director, Chief Executive Officer, or President) of a Code Section 501(c)(3) charitable organization
- Be employed full-time at the applicable organization
- Have worked at least t consecutive years in the nonprofit sector (at the same or multiple organizations) without significant leave
- Require financial assistance to take protracted time off work

In addition, the candidate's tax-exempt employer must:

- Be located in the J area
- Not be a school
- Not be a government agency
- Have at least three full-time paid staff
- Endorse the candidate's application to the C and submit a work plan for organizational management during the candidate's absence and upon candidate's return

- Require financial assistance to underwrite the individual candidate's leave.

In addition to ensuring that the candidate and their employer organization meet the eligibility requirements, you will evaluate the specific criteria regarding both the individual candidate and the employer organization in order to select grant recipients. Individual candidates will be evaluated regarding whether (i) they have a proven track record of outstanding leadership, (ii) are recognized by their peers as remarkable leaders, and (iii) are willing to participate in a network of peer alumni of the C. The employer organization will be evaluated regarding whether the organization is (i) recognized by the community for the quality of its charitable programs, (ii) looks to the applicant's sabbatical as an opportunity to develop the next level of leadership within the organization, and (iii) can sustain regular charitable activities during the candidate's absence.

The initial selection committee will consist of trustees from the K and the B as well as an individual retained to operate the C who will serve as program director. In addition, both the K and the B will invite unrelated individuals who are established leaders in the regional nonprofit sector. As the C progresses, the K and the B will invite certain C alumni to serve on the selection committee. The trustees of the K and the B will select and replace the selection committee members.

C funds will be paid directly to each recipient Code Section 501(c)(3) organization to be disbursed to the organization's chief executive and interim chief executive. You represent that you will arrange to receive and review grantee reports annually. Each chief executive recipient is required to submit a report on the sabbatical experience within three months after returning to work. In addition, chief executive recipients are expected to participate in the C alumni program which will provide you with additional opportunities to assess the chief executive recipient's use of the funds. Written reports are also required on the funds used for professional development and interim leadership.

Both the recipient organization and candidate will be required to sign a grant agreement limiting their use of the grant funds for purposes of time off, travel, and additional compensation for the interim executive. The grant agreement requires written confirmation of the sabbatical itinerary and sabbatical dates no later than w weeks prior to commencement of the leave. A brief written report (1-2 pages) from the sabbatical recipient must be submitted to Y within two months of the conclusion of the sabbatical. The report should describe how the recipient spent the sabbatical time and the recipient's experience of returning to work. The grant agreement will also provide that if either the recipient organization or chief executive recipient do not use the grant funds for the specified charitable purposes, you will seek repayment of the grant funds from the recipient organization or chief executive recipient, as applicable. Additionally, the grantee must agree to notify you if it experiences any of the following during the grant period:

- A change in leadership at the board or staff level
- A change to the organization's mission or the services that it provides

- A move to a new location, or
- A change in 501(c)(3) status

You represent that you will maintain 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 investigation of the 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.

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