

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the TreasuryRelease Number: **201627004**

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Date: April 8, 2016

Employer Identification Number:**Contact person - ID number:****Contact telephone number:****LEGEND**

UIL: 4945.04-04

B = State

x dollars = Amount

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 further the work of charitable agencies providing health services to vulnerable populations in Middle B. You plan to add a sabbatical grant program under which you will award grants to qualified Internal Revenue Code Section 501(c)(3) public charities conducting health-related services to enable their executive directors or chief executive officers to take sabbaticals or leaves of absence for learning opportunities. The purpose of the sabbatical grant will be to support executive director's or chief executive officer's personal development with a view toward enhancing leadership, services, and operational effectiveness within the public charity for whom the individual works. Examples of approved learning opportunities include personal and professional coaching, spiritual direction, leadership and/or management programs, guided or non-directed retreats, and conferences. The sabbatical grants will not exceed x dollars and will be paid directly to the public charity to cover costs such as salary, travel, housing, and registration.

The sabbatical grant program is described in detail on your website. The grants will be awarded on an objective and nondiscriminatory basis and will be used by the executive directors or chief executive officers of the donee public charities for travel, study, or other similar purposes to improve and enhance their personal and professional development and capabilities. No sabbatical grants will be awarded to your executive director or chief executive officer or to the executive director or chief executive officer of an affiliated public charity. No person involved in the administration of the sabbatical grant program will derive any private or personal benefit from the program.

To be eligible for the grant, the public charity (Agency) must meet the following criteria and guidelines:

Criteria

- Have a mission in close alignment with you.
- Have a majority of programs that are health related services that produce measurable, positive health outcomes within one of your areas of interest or advocate for system changes that increase access to health care services.
- Have demonstrated organizational sustainability and be in a stable financial position.
- Have total net assets less than \$
- Have previously been awarded an Operating Grant.
- Be based in B and have a physical presence in one of the 40 counties in your grant-making region of Middle B (even if headquartered in another region of the state).

Guidelines

- The grant is applicable for only the full time Executive Director (ED)/Chief Executive Officer (CEO) of the agency.
- The ED/CEO must have worked in nonprofit services for at least 7 years, with a minimum of 5 of those as ED/CEO.
- The request cannot exceed dollars payable to the agency to cover costs including salary, travel, housing, and registrations as needed for planned learning opportunities.
- The agency guarantees continued full time employment status with on-going benefits provided during the period of leave.

To apply, agencies must complete an application process and submit a proposal. Applications are available on your website. The application entails a series of questions, a brief program description, and measurable outcome statements. The full proposal includes an executive summary, projected financial information, contact information, a letter of endorsement from the Board Chair, the grant checklist, current unaudited financial statements, and an organization chart that reflects the current leadership structure. A Proposed Plan should also be completed at the time of the full application and should include the following:

- A description of the agency's temporary leadership plan.

- Identification of the key executive roles/functions that will be covered during a planned sabbatical.
- Identification of the projects that will need to be managed during the ED/CEO sabbatical.
- Identification of the individual who will serve as Acting ED.
- A plan to manage all documents, internal communications, and external communications requiring the executive's response.
- A plan for smooth transition upon return.
- Clarification of limits of executive authority by BOD for Acting ED.
- Compensation for Acting ED and/or other acting staff considered by BOD.

When selecting recipient agencies, you consider the following questions:

- Does this agency employ programs that benefit the health of individuals throughout Middle B?
- Do the values and mission of this agency coincide with your mission and values to promote compassionate care, hope, and respect?
- What benefit will the sabbatical have to both the agency and the applicant?
- Is the leadership, particularly the Board of Directors, committed to implementing this partnership program?
- Are the interim infrastructure and leadership present for the program to succeed?
- Is the pre-departure plan realistic and does it demonstrate the likelihood of organizational sustainability during the sabbatical?
- Is the budget realistic and appropriate to the scope of the proposed program?

Upon selection, recipients will be expected to submit a Mid-term Ratified Plan prior to leaving on sabbatical and a Final Report to be completed no later than the 12th month of the grant term. The second payment of funding will be released upon receipt of the Mid-term Ratified Plan.

The Mid-term Ratified Plan must include and answer the following questions:

- What are the expectations and hopes for the recipient, the identified responsible staff, and the organization as a result of this sabbatical?
- What does the recipient expect to bring back from my sabbatical?
- What pre-sabbatical habits and behaviors will the recipient be leaving behind?
- What insights on managing/leading the agency might the recipient gain during the sabbatical?
- How will the organization benefit from taking this sabbatical?

The Mid-term Ratified Plan should also include an update on any changes to activities planned as noted in the recipient's preliminary application and an explanation on how the recipient will use the resources of a sabbatical grant award and release time for personal development to enhance leadership, services, and operational effectiveness within the recipient's organization. A fully detailed pre-departure plan with ratification from the Board of Directors should also be included.

The Final Report must include the following information:

- An explanation of how the recipient used the resources of the Sabbatical grant award and release time for personal development to enhance leadership, services, and operational effectiveness within the organization. Specifics about the activities or course of study and length of time should be included.
- An updated budget form of how the funds were actually expended compared to how the funds were budgeted.
- A description of any realized or unrealized expectations and hopes for the recipient, the identified responsible staff, and the organization as a result of this sabbatical.
- A description of what the recipient brought back from the sabbatical including any new habits or behaviors.
- The pre-sabbatical habits and behaviors the recipients intended to leave behind.
- Insights on managing/leading the agency the recipient, staff, and/or Board gained during the sabbatical.
- An explanation of how the organization benefited from taking this sabbatical.

You represent that you will: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You represent that you will maintain all records relating to individual grants including information obtained to evaluate grantees, identify a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants described above.

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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements