

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

Department of the Treasury

Release Number: 201814014
Release Date: 4/6/2018
Date: January 11, 2018

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

X= program name
Y= organization
Z= country
m dollars= amount
n dollars= amount
b percent = percentage
c percent = percentage

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 will operate an educational grant program called X to strengthen ties between the country of Z and the youth of Z living outside of Z by affording them an opportunity to be a part of Z's daily life and contribute to Z's development through work, study and volunteer experiences, while developing life-long personal ties and a renewed sense of identity of Z. Grants for X will range from m dollars to n dollars.

X will be awarded on an objective and nondiscriminatory basis to individual alumni of your program or to alumni of the Y program. Applicants must submit proposals with the following elements:

- Executive Summary
- Needs Statement
- Project Outline
- Short-term and Long-term Goals
- Implementation Plan and Timeline of Completion
- Monitoring and Evaluation Plan
- Measurable Quantitative and Qualitative Impacts desired
- Budget narrative and a proposed Budget

All projects should have a direct benefit in Z. All projects submitted for funding over m dollars must be matched dollar for dollar by other funding sources and you will not fund X until the match is secured. At least b percent of the grant awarded must be spent in Z with the remaining c percent eligible to be used for indirect costs such as economic travel and homestay living options.

You do not intend that any of your foundation managers or substantial contributors, or any family member described as a disqualified person under Code Section 4946 shall be eligible to submit a proposal for funding. Family members or household members of the current X Coordinator and Executive Director who are not disqualified persons can be eligible and in such case, the proposal reviewers must recuse themselves if a family or household member is an applicant.

Proposals will be reviewed first by X Coordinator and Executive Director and then by your Board of Directors. Grants will be evaluated based on the following objective criteria:

- ability to raise matching funds for the grant
- the collaboration of one or more of your alumni on the project
- a realistic implementation plan including clearly defined goals and steps outlined to accomplished these goals
- the highest expected impact while serving/affecting a large group of beneficiaries
- the majority of grant funds being spent in Z
- whether the project is a one-time activity or be sustainable over time under a realistic plan
- the involvement of the native community of Z in the proposed plan
- and the likelihood of success in achieving the specific objective proposed

X recipients will be required to execute a grant award letter which will require annual reports and a final report on progress made toward this specific objective and on the expenditures of all grant funds. An award letter will allow you to make site visits to observe the work being funded by X and to recoup grant dollars by reasonable efforts if terms are breached. You will retain all grant reports, proposals and records.

You represent that you will complete the following: (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, (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 (4) 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 diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you establish 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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements