

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

Department of the Treasury

Number: **201831016**
Release Date: 8/3/2018

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: May 9, 2018

LEGEND

UIL: 4945.04-04

M= Program
x dollars= Amount
y 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

Your letter indicates that you will operate an educational grant program called M.

You will institute a small grants program in which funds will be awarded to selected individuals who propose ideas to address an urgent challenge and to improve conditions for those in need. The purpose of M is to identify and encourage bold innovations, inventions, and discoveries. You believe that it is important for the development of humanity to encourage unconventional thinking and creative solutions.

Through M, you will seek to support _____

_____ . The ideas must be achievable and informed by relevant facts. You acknowledge that a single idea will not solve poverty, income inequality, or hunger and complex problems require novel approaches that can be scaled to meet the needs of many. Thus, the goal of M is to help those with an innovative idea for real change to take the first step in implementing that

change and to foster the type of risk-taking and creative thinking necessary to address today's most critical problems.

Grantees will be chosen based on the innovativeness of the idea, the feasibility of the idea, the problem the idea seeks to address, and the population the idea seeks to benefit. The announcement regarding M and a copy of the application will be posted on your website. You may also post a request for proposals for a specific problem that you find particularly compelling or underfunded.

Eligible candidates must be 18 years of age or older. While M will be focused in the United States, persons living outside of the United States may apply. No relative of any officer, trustee, or donor will be eligible to receive any grants. In addition, current or former employees, advisory review members, or agents of your foundation and their relatives will be ineligible to receive M.

You intend to award grants in amounts that range from x dollars to y dollars. The amount of each grant will vary based on the applicant's projected budgets and needs. You will accept applications on a continuous basis and there will be no limit to the number of projects you will support in any given year. Information about M will be disseminated on your website, through press releases issued by you, on other websites that promote social innovation, social impact, innovation incubators, and social venture networks, and on your website.

Your staff will evaluate each proposal to determine eligibility, innovativeness, clarity, scalability, and potential for impact. Potential proposals that require specific subject matter expertise will be reviewed by an advisory review member who will provide support and make recommendations. Proposals will be submitted to your board of directors at each board meeting. Your board of directors will vote on the best proposals to be awarded M grant. As part of the review process, you will evaluate how the amount requested will be used and how necessary it is for the project to succeed.

You will select grantees based on criteria reasonably related to the purposes of M. The criteria will include 1) demonstration of how the idea, project, or technology will create an impact on a significant problem in need of a solution, 2) demonstration of a feasible and achievable path to implementation, and 3) the creativity and innovation behind the proposed idea. You will require that the grantees agree the funds must be used only for charitable, educational, or scientific purposes.

You will require for the grantee to maintain the grant, that the grantees abide by the terms of the grant agreement, which includes submitting annual and final reports about the progress toward achieving the proposed ideas, maintaining receipts and documentation on use of grant funds, and using the grant for the purposes approved by you.

If a recipient fails to submit reports, fails to use the grant funds for charitable, educational, or scientific purposes, or otherwise fails to abide by the terms of the grant, you will request return of the full amount of the grant, or specific performance by the grantee. In

addition, any portion of the grant that is not expended or committed for authorized purposes must be returned to you.

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 the 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 established supervision and investigation of the 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