

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

**Department of the Treasury**

Number: **201937019**  
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**Employer Identification Number:**

**Contact person - ID number:**

**Date: June 19, 2019**

**Contact telephone number:**

Legend  
B = Name  
w = Number  
x dollars = Amount

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**

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

You work to further the understanding of the economic impact of private capital through independent academic studies. Under your grant program, you expect to distribute in the range of y grants per year in the range of x dollars. Further, you will determine the number of grants based on your annual budget and the number of proposals received.

The primary goal of your program is to provide research grants to produce high quality academic research on the private capital industry based in large part on the comprehensive, centralized academic databases of private capital activity that you are building. These databases are hosted on the secure servers at B. Your research grants will also support data access, research assistance, and any necessary travel to support research. In addition, the key objectives of the grant program include increasing transparency of the private capital industry, building your comprehensive databases, eliminating reporting biases and other flaws in the accuracy of the data, obtaining better performance measures of private capital investment, and enhancing a community of

scholars by sponsoring unbiased academic research on the nature and effects of private capital.

Moreover, you anticipate that individual recipients will use the funds for technological support, for travel related to their research, for data gathering, for producing reports, and for other needed items to complete the research project.

To promote your program, you will periodically send out a Call for Research Proposals via email to accredited colleges and universities and post the announcement on academic websites. To be considered for a grant, academic researchers must submit a two-three-page proposal which describes their proposed research plan, budgets, and how they intend to use your databases in their proposal. Furthermore, you will not accept proposals for research projects that are intended to benefit commercial organizations or that the prospective recipient would use for commercial purposes.

Grant recipients will be chosen by a selection committee consisting of several members of your advisory committee who are generally academics respected in their field of study and from a credible academic institution. Your method for replacing committee members is that current members would appoint new members.

To select recipients, your selection committee will review each proposal and decide whether to approve the proposal based on objective and non-discriminatory analysis of the relative merits of the proposal. The criteria used will be related to your purpose and, including the following:

- The degree to which the proposal supports your stated purpose;
- The applicant's academic history and relevant recommendations;
- Conclusions reached by the subcommittee based on interviews with the prospective recipient relating to their motivation, character, ability and potential.

All recipients are required to agree to and sign a Data User Agreement. The agreement specifically states how the data can be accessed and how the data can be used and shared. Your agreement also specifically states that the data cannot be used for commercial purposes. For further protection, your data are anonymized and cannot be removed from the servers. Only data analysis results can be downloaded. Furthermore, you have set limitations on the statistical software such as disabling certain features so users cannot view individual transactions. Lastly, the activities of the recipients will be monitored through log files and you will periodically require an update of the grant recipients' progress.

To monitor the grant, you will annually require reports from recipients on the use of the funds they have been provided and on the status of their progress toward the purpose of the grant. Upon completion of the recipient's project, you will require a final report describing the recipient's accomplishments with respect to the grant and an accounting of the funds received. If the reports indicate or you otherwise determine that the funds are being used for improper purposes you will investigate the situation and while conducting

your investigation, you will withhold further payments to the extent possible until any delinquent reports have been submitted. You will take all reasonable and appropriate steps to recover the funds or to ensure the restoration of the diverted funds. Additionally, you will continue to withhold further payments until the funds have been recovered or restored, until you have received the recipient's assurances that future diversions will not occur and will require the recipient take precaution to prevent future diversions from occurring. You will also retain records relating to the identification of the recipient, the information you receive to evaluate the qualifications of potential recipients, the amount and purpose of each grant and additional information as need to comply with your oversight operations.

To disseminate the research, you will host several academic roundtable discussions every year intended to highlight some of the research that is being done. In addition, academic research papers will be circulated as working papers with a goal to be published in academic journals. Your individual researchers may retain ownership or control of any patents, copyrights, processes, formulas, or other intellectual property, if any, resulting from their research.

You do not currently anticipate conducting activities in foreign countries, but in the event you were to engage in such activities, you will check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities. You do not currently anticipate providing any funds or goods to foreign organizations, In the event you were to engage in such activities, you would expect recipients to be from foreign academic institutions and you intend to obtain their tax-exempt status at that time.

### **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,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements