

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **202028003**

Release Date: 7/10/2020

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Program

C = Problem

D = Issue

E = Company

f dollars = Amount

g 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 B.

Your purpose is to further a broad range of charitable and educational goals including, but not limited to, providing small grants to certain individuals for the purpose of contributing to solving complex cybersecurity problems.

The purpose of B is to fund projects that increase society's collective knowledge and capabilities in the fields of cybersecurity and artificial intelligence by contributing to

solutions for complex cybersecurity problems. You are particularly interested in supporting efforts that will yield a tool that assists with C analysis and D classification. You plan to consider the merits of each grant proposal, the length of time required to carry out the work proposed, and the number of individuals associated with a submission when determining the amount of each grant. You anticipate awarding grants for up to three proposals each year with grant awards ranging from f dollars to g dollars per grant. However, you also anticipate that you may receive grant requests which propose larger scopes of work and for longer durations, in which case you may award larger grants that scale to the scope of the project.

The grants are to be used to produce a technical solution to a complex cybersecurity problem. The grants will further your purposes because they will produce solutions and contribute to knowledge in the fields of cybersecurity and artificial intelligence.

Applicants are solicited through announcements published on your and E's websites as well as at events hosted by you and E and through press releases. Applicants are required to submit an application, which must include the proposal and timeline, links to supporting documentation, and institutional affiliation.

Grant proposals will be assessed based on their individual merit, with emphasis on potential for positive impact for the cybersecurity community, project achievability over the proposed performance period, and alignment with your ethos and goals.

Your Screening Panel will assess applications for eligibility and submit eligible applications to your Review Board. The Review Board will conduct a preliminary evaluation of applicants based on their proposal and supporting documentation as well as an interview. They will then recommend four to eight applicants for consideration by the Award Board. Based on these recommendations, the Award Board will, absent concerns, approve the final grant recipients.

The Screening Panel and Review Board will each consist of individuals who are full-time employees of E or its affiliates and appointed by the Award Board. The Review Board will also include at least one independent individual who is not an employee or contractor of you, E, or its affiliates.

Individuals employed by you or any organization controlled by your directors, members of your board of directors, and individuals related by blood or marriage to your directors, your employees, or employees of organizations controlled by your directors, are not eligible for consideration.

Upon selection by the Award Board, each grant recipient will be notified by letter regarding the grant award and its terms and conditions. Recipients will be required to report their progress toward achieving their proposed project on a regular basis as well as provide you an annual report summarizing the use of grant funds.

Upon completion of the grant project, you will publish and/or release as open source software under public license, any modifications, developments, or derivatives of the project results, along with any associated know-how or scientific research associated with the software.

A professional staff member or director has the responsibility to follow the progress of the individual grant, that is, to review each report submitted by the funded person, to make a determination as to whether the grant purposes are being or have been fulfilled, and to look into any questions requiring further scrutiny or investigation.

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 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.

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