

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Number: **202032006**

Release Date: 8/7/2020

Date: March 12, 2020

Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Grant
C = Fellowship
D = Fellowship
E = Fellowship
F = Grant
G = Consortium
H = Location
J = Area
k dollars = Amount
l dollars = Amount
m dollars = Amount
n dollars = Amount
o dollars = Amount

Dear :

You asked for advance approval of your educational loan 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 five educational grant programs called B, C, D, E, and F. The educational grants will be awarded to students and faculty of a consortium called G, consisting of eleven different colleges and universities.

The purpose of B is to enhance the health and ability of ecosystems in H by providing scientific information to support land management decisions. B is available to faculty, undergraduate, and graduate students from G member institutions. B will provide funding for researchers in natural areas management, biodiversity, and environmental monitoring research. You are particularly interested in funding projects that involve monitoring a threatened species, wild rice restoration, oak regeneration, watershed water quality monitoring, and invasive species monitoring and management.

The purpose of C is to nurture the artistic development of a promising student artist who is interested in creating art influenced by a close interaction with the natural world. C is available to any student and faculty mentor of G. The natural world projects may involve a number of two-dimensional visual art forms including paintings (oils and watercolors), photography, drawing, and printmaking. Proposals that are inter-disciplinary or connect to either a B or D program will be encouraged.

The purpose of D is to nurture the development of a promising writer who is interested in creating works that are inspired and influenced by the natural world. D is available to a faculty mentor and student of G. Proposals that are interdisciplinary or connect a B or C program will receive priority. Projects may involve creative or professional writing in the area of fiction, non-fiction, poetry, or drama. Depending on the genre, the end product should be comparable to two or three complete essays.

The purpose of E is to nurture the development of promising students who are interested in natural areas management and research. E is available to undergraduate students of G. Recipients will complete a number of tasks but will have a focus on either research, stewardship, or education. Activities include field work, monitoring and identifying organisms, utilizing technology such as GPS/GIS, sharing findings and experiences through presentations and papers, communicating with the general public, and working as part of a team.

The purpose of F is to provide support for the development of promising students and researchers who are interested in ecological and environmental, and land management research. F enables a researcher to receive on-site housing and food service during the summer (Monday through Friday) while conducting a research project at or near G. If participants will be completing research on the property of G but are not part of other projects funded by G, they will need to complete a research application.

G is available to individuals or groups conducting environmental and land management research in J. Two types of awards are offered: summer-long awards and short-term awards. Summer-long awards are for researchers who will spend more than three weeks (does not have to be consecutive) of the summer completing their work. Short-term awards are for less than three weeks. Preference will be given to those associated with other projects funded by G.

The application is available on your website. It must include a synopsis of the project, statement of purpose, project narrative, references, time frame, budget, resume, transcript, letter of recommendation, and documentation of permission or letters from any agencies or organizations that will be involved with the research.

Grantees are strongly encouraged to present their results at professional or student research symposia or conferences. Grantees are also encouraged to submit their results for publication in scientific journals. Grantees are required to inform you of any publications and presentations that are the results of your supported research.

You state the grant programs will be publicized through the faculty of G member institutions. You will also promote the programs through social media and on your website. Your staff members will visit the member institutes of G and present information on the grant programs to students in related courses. Your staff will also attend college information meetings and events.

You intend to award a number of grants sufficient to distribute approximately k dollars in grants each year. You anticipate that each grant will typically be in the aggregate amount of l dollars, determined as follows:

- m dollars for each student researcher
- n dollars for each faculty advisor, and
- o dollars for room and board.

The student researcher stipends will be paid annually in installments, with the final payment paid after the final report is received and all requirements are met. Faculty stipends will be paid annually in two lump sums, one after the interim progress report is accepted and the second after the final report is approved.

Most of the grant projects will be designed to conclude at the end of each year so that the grants are not typically suitable for renewal. On rare occasions where renewal would be appropriate, you would require significant progress on the project be demonstrated, and that both the student and faculty advisor remain affiliated with G.

Your selection committee will evaluate all entries. Although your selection process varies somewhat from program to program, in general the selection committee will evaluate the quality of the project proposal, the degree to which the proposal connects to your research purposes, and the extent to which the proposal includes plans to disseminate the research results to the general public.

The selection committee members must be associated with, or be an employee of, you or on of the member institutes of G. Committee members must possess expertise in environmental science, art, or writing. The members will review all applications, score them, and make recommendations, if needed, for project improvements and then finally whether the project is funding worthy.

You will supervise your grants through the use of faculty mentors, the observations of your on-site staff, weekly meetings between students and staff to discuss progress, and periodic progress reports. If the terms of the grant are violated, the student and/or faculty member will be asked to leave the program and return any unexpended portion of the grant.

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.

Long-term, low-interest loans that private foundations make for educational purposes can be considered grants under Code Section 4945(g)(3) and Revenue Ruling 77-434, 1977 2 C.B. 420.

Other conditions that apply to this determination

- This determination covers only the loan program described above. This approval will apply to succeeding loan 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 loans 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 loan 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