

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **202049006**

Release Date: 12/4/2020

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

W = Grant

X = Related Organization

y dollars = amount

z 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 W.

The purpose of W is to provide grants to improve or enhance a literary, artistic, musical, scientific, teaching, academic, athletic, or other similar capacity, skill or talent. Grants will expand opportunities for individuals with disabilities and at-risk youth and their families and will fund education and enrichment opportunities such as music or art lessons, sports league fees and equipment, summer camp, educational lessons, vocational and higher education, and other programs or experiences that grantees might not otherwise have access to.

You anticipate awarding to grants annually in amounts ranging from y dollars to z dollars. The applicant pool consists of individuals served by X. X is a national network of local health and human services providers in more than states which offers an array of services for the youth, elderly, and those with disabilities and serious illnesses. W will be publicized on your website and through X's social media, senior leadership, state directors, local case managers, program staff and direct support professionals. The selection committee for W is comprised of a multi-disciplinary group of X's leadership and programmatic staff. They represent a range and depth of experiences and positions as well as geographic locations.

Grantees will be selected according to consideration of the applicant's educational and other achievements, demonstration of strength of character or initiative, description of goals and how the enrichment opportunity will achieve them, and personal recommendations from teachers, social workers, or foster parents. Grants will be awarded based on an objective and nondiscriminatory selection process and not be based in any way upon the race or employment status of the applicant or any relative of the applicant. Relatives of members of the selection committee, or of officers, directors, and substantial contributors of or to you are not eligible for W. Grants will not be made to anyone who is a disqualified person with respect to you, your employees, members of the selection committee, your board of directors, or relatives of members of the selection committee or your board of directors.

Whenever possible, you will pay grants directly to the provider for the enrichment activity to ensure funds will be used for intended purposes. Otherwise, payments will be made as reimbursements to the grantee with evidence of receipts. Your grant award letter will request verification of participation in the activity.

You will maintain the following records for W:

- Information used to evaluate the qualifications of potential grantees, including written applications and recommendations
- Identification of the grantees and amounts and purposes of each grant, including minutes of selection committee and board meetings, copies of award letters, and financial records
- All grant reports and other follow-up data obtained in administering W, including receipts, questionnaires, feedback from grantees, and reports received from completed grant activities

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, and (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 the following: (1) all records relating to individual grants including information to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the 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.

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