

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

**Department of the Treasury**

**Date: October 6, 2020**

**Employer Identification Number:**

Number: **202053016**  
Release Date: 12/31/2020

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

C= Name  
D= City  
E= City  
F= City  
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 C.

The purpose of C is to fund research and solutions connected to benefit the residents of D, E, or F. Specifically under C, you plan to award a weekly award up to z dollars to the recipients. Your recipients will also have access to on-call support from you and opportunities to connect with other recipients.

Each week, you will notify potential applicants that applications may be submitted. These notifications will take a variety of forms, including public announcements on your webpages, social media pages, direct emails, and announcements from partner organizations in the community. All materials will also indicate a deadline for application submissions.

To be eligible for a grant under C, an applicant may be either an individual or a team and must:

- Submit a creative way to support the community during the ;
- Submit a solution focusing on supporting the residents of D, E, or F;  
Submit a solution

Further, all applicants must supply a timeline and budget for their proposed solution to show that the project can be accomplished within a year of the start of their project.

To apply for a grant under C, applicants must submit detailed proposals to your staff. Specifically, concerning the application and review cycle, you will accept proposals every Friday through Tuesday. Your staff will determine which applications are complete as well as determine that the proposal describes a qualifying activity within the scope of C's purpose. Then each Wednesday and Thursday, qualifying proposals will be reviewed by the team applicants who will vote on the best ideas for the community. The teams, therefore, will effectively function as the independent selection committee

The proposed solution receiving the highest number of votes will then be declared the winner subject to your review and approval to ensure the winning proposal meets your criteria. On , the prize recipient will be announced, and funding will subsequently be disbursed. Further, you will determine the specific amount awarded based on the recipient's proposal and budgets up to z dollars. This amount is discretionary and may be increased or decreased each week. In addition, the recipients are limited to one award and it will be paid directly to the recipients.

The recipients will enter into an Award Agreement with you explaining the conditions of the award. Particularly, recipients must agree to submit periodic reports including but not limited to, details of the progress of the proposals, and amounts spent since their last report.

You will maintain and retain records pertaining to all awards. Records will include but not be limited to all information secured to evaluate the qualifications of potential recipients, identification of recipients including any relationship of a recipient to your directors, officers, employees, the amount of each award and information concerning the solution proposed by each recipient. You will retain these records for a reasonable period of time, but in no event less than after the filing of your tax return for the tax period covering an application cycle. All information pertaining to unsuccessful applicants will be retained along with information on successful applicants.

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.

Finally, your Board of Directors, employees, and relatives of either, are not eligible to receive awards and will not be in a position to receive a private benefit, directly or indirectly from C.

### **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