

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

Number: **202114024**
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Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Name
C= State
D= City
E= City
m= Amount
n dollars= Dollars
p dollars= Amount
q= Numbers
r dollars= Amount
s= Numbers
t= Numbers

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.

The purpose of B is to provide financial support and other resources to nonprofits and/or eligible small businesses transition their products and/or service offerings to online, web-based solutions.

To implement B, you will enter into contracts with IT service providers and pay them directly to actively oversee the recipients' transitional process to an online, web-based solution. In addition, you intend to hire in the range of q contractors to oversee B, work directly with each recipient to tailor a solution, and bridge the gap between each recipient and the IT service provider to finalize solutions that best fit each recipient's needs. In addition to financial support, the recipient will have access to on-call support from your team and other support in the way of virtual office hours, training administered through IT firms, coaching from your staff and workshops around specific IT subject matters.

You may also enter into additional contracts with IT vendors that provide ancillary support to shift the recipients' products and/services to online, such as subscriptions to relevant publications, support related to search engine optimization, and other online marketing needs.

In order to be eligible for B, an applicant must be an organization located in and serving C, D, or E as well as meet the following criteria:

- 1) Have a maximum annual operating budget of r dollars;
- 2) Have in the range of s full-time employees;
- 3) Be able to show a need for assistance in launching an idea to grow its presence or adapt its offerings to serve customers online.

For small business applicants, the small business must be located within the city limits of an economically depressed area, inhabited mainly by low-income, minority, or other disadvantaged groups, and which experiences difficulty in obtaining conventional financing due to its minority composition or due to prevailing economic conditions.

To apply for B, the applicant must submit an application with all required attachments and narratives during a one week window. Specifically, the applicant must provide its history and background information, a brief summary of its idea, a detailed budget and a detailed technology assessment of its current capabilities. Additionally, the applicant must provide a narrative describing the current challenge it is facing, its big idea to solve this challenge and how they plan to measure success. The applicant must also explain its most ambitious dream over the next decade.

Applications will be reviewed on an ongoing basis during the one-week window and shortly after the window closes. Specifically, a review board of t independent individuals will review all initial applications and provide recommendations on which applicants you should consider moving into the next phase, considering the qualifying charitable, scientific, literary or educational purpose of the applicant. You will then review the recommended applications and perform interviews with those applicants who demonstrate the most potential and show the largest need. After the interviews, you will decide the pool of recipients of the grants. Further, you will provide grants for up to m recipients for an average amount of n dollars with the goal of funding up to p dollars across all applicants. You will not be required to provide any additional support to the

recipients above and beyond the n dollars but may provide more or less depending on the scope of work of each recipient.

All recipients must enter into a Memorandum of Understanding (MOU) Agreement with you explaining B's conditions. If the recipient is a small business, the MOU will provide you additional authority to exercise expenditure responsibility to the extent any amount has been paid directly to the recipient.

If you receive any information indicating that the terms of B have been violated, the grant will be terminated and further payment on behalf of the recipient will be withheld (subject to the terms of the contracts entered into with IT service providers). You will also evaluate recovering any amounts paid while the award requirements had been violated.

You will maintain and retain records pertaining to all recipients of B. Your records will include all information received to evaluate the qualification 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 online solution proposed by each recipient). You will retain these records for a reasonable period of time, but in no event less than six years after filing your tax return for the tax period covering an application cycle. Information pertaining to unsuccessful recipients will be retained along with information on successful recipients.

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 under B.

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 B.

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