



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Number: **202202016**
Release Date: 1/14/2022

Date: **October 21, 2021**

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

LEGEND

X = Program
b = Number
c = Number
d = Number
e = Number
y dollars = \$

UIL: 4945.04-04

Dear :

You asked for advance approval of your educational grant/loan procedures under Internal Revenue Code (IRC) Section 4945(g)(3).

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

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 IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate X to provide individual grants supporting the development of original and creative content intended to inspire and educate the public. The original and creative content will be made available free of charge to the general public via the internet.

You expect to award one grant on an annual basis with approximately y dollars, issued in monthly installments. The number of grants and amount of grants may vary from year to year. Grants are not renewable and grantees may not apply any future grants under X.

You plan to advertise X using an online video sharing platform from your President's video channel. There are currently over b subscribers to your President's channel ensuring broad dissemination.

You will accept applications for a one-month period. You will consider a broad range of individuals from different backgrounds, disciplines, and skill sets to be eligible for participation in X. The main focus will be individuals who are aspiring to be full time creators. Individuals may include podcasters, scholars, artists, documentary filmmakers, writers, musicians, photographers, journalists, and storytellers. In any given year, you may decide to limit eligibility for participation to members of a minority group that has historically been subject to prejudice. Applicants will not be required to fill out a written application. Instead, applicants are required to submit a three-minute work consisting of an audio, video, or written piece. The application will need to include a budget or description of need, an explanation of artistic objective and must include a name, address, and an email address. Applicants are encouraged to incorporate their artistic history, representative past work, and indication of number of views of past work.

You will use the following specific criteria to select grantees and no discrimination based on race, national origin, religion, sexual orientation, or gender.

- Consistent strong creativity and originality
- Artistic merit
- Strong and clear voice
- Successful management of online community
- Indication of initial success online
- Financial need

You will maintain detailed case histories for at least years after the completion of the grantees project or the termination of grantees participation. Detailed case histories include:

- Name and address of applicant
- Grant amount
- Criteria used by the selection committee
- Material submitted by the applicant
- Annual narrative and financial reports
- Reports from the grantee after project completion
- Information relied upon to rule out any connections between the grantee and known terrorist
- Confirmation that there is no relationship between the applicant and your officers, Directors and substantial contributors

Grantees will be required to provide projects in the form of original creative, artistic, or educational content monthly. The project content must be kept online with public access via the online video sharing platform or similar channels. Grantees may obtain permission to vary from this monthly requirement. Grantees may not

engage in any illegal activities or any online harassment or bullying. You will not issue any further monthly payment for illegal, harassed, or bullied activities.

You will periodically evaluate the project contents. For projects that are completed within a single taxable year, grantees are required to submit a signal final progress and financial report within six months of the project completion. For projects that are spanned more than one taxable year, grantees are required to submit progress and interim annual financial reports within six months of the year end. A final report is also required. You reserve the right to request additional reports depending on the duration of the project.

You will withhold future payment to grantees who failed to submit the required reports or indicated any misuse of the grant. If you discover that grant funds have been misappropriated, all reasonable steps will be taken to recover any diverted funds, ensure an unused portion to be returned or used for the intended grant purpose. You will also refrain from making additional disbursements.

Your Selection Committee will be composed of approximately c individuals, including your President and creators from various relevant industries with artistic sense. Each Selection Committee member will have a vote of equal weight, with your President serving as a tie breaker if the Selection Committee is deadlocked. The number of Selection Committee members may be increased or decreased. Members of the Selection Committee will be expected to serve for one-year terms but may be asked to serve again the following year. Your President may add or remove Selection Committee members in his or her sole discretion and will replace Selection Committee members upon their resignation, removal, or inability to serve. Each Selection Committee member is obligated to disclose any existing relationship with any applicant under consideration. Any Selection Committee member that discloses such relationship must refrain from participation in the selection process. In addition, any Selection Committee member must refrain from participation in the selection process when he or she could derive a tangible private benefit directly or indirectly. Your officers, directors, substantial contributors, Selection Committee members and their children or close relatives are not eligible for grants.

Initially each Selection Committee member will be allocated a proportionate share of all applications received for his or her individual review. Each Selection Committee member will nominate at least d of the best applications for further review by the Selection Committee. The Selection Committee as a whole selects the best nominated applications. Applicants will then be interviewed by the Selection Committee and may be asked to provide references.

You will not make a grant to an individual if doing so would violate the Patriot Act of 2001 or Executive Order 13224. You will check the name of each applicant against a consolidated terror watch list.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and ensure other grant funds held by a 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 diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify a grantee is a disqualified person,
- Establish the amount and purpose of each grant, and
- Establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. 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 the following requirements of IRC Section 4945(g) is not a taxable expenditure.

- The foundation awards the grants 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of IRC 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 Regulation 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 only covers 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.
- The effective date of our approval is January 6, 20XX, which is the date your request was submitted.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the IRS at:

Internal Revenue Service
Exempt Organizations Determinations
TE/GE Stop 31A Team 105
P.O. Box 12192
Covington, KY 41012-0192

- You can't award 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 further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with IRC 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.

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 questions, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

cc: