



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

Date: 12/14/2021

Taxpayer ID number:

Number: 202210025  
 Release Date: 3/11/2022

Person to contact:

Name  
 ID number:  
 Telephone:

UIL: 4945.04-04

**LEGEND**

X = Grant Program  
 y dollars = Amount  
 z dollars = Amount

Dear \_\_\_\_\_ :

You asked for advance approval of your educational grant 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 a grant-making program called X. You plan to award stipend grants to individuals or groups of individuals to support and encourage promising developers and game designers to explore the advancement of \_\_\_\_\_ games. The grants allow developers time and space to create games that explore \_\_\_\_\_ and/or develop an identity in \_\_\_\_\_, and \_\_\_\_\_ games can be a powerful vehicle for kids to engage with joyful, problem-solving. The

grants are intended to expand opportunities for top math and science students in all communities, in furtherance of your exempt purpose.

Initially, you expect to award approximately [redacted] grants annually ranging from y dollars to z dollars each. The amount and number of grants will vary based upon the particular program, amounts requested by the applicant, and other grants awarded by you during the year.

The program will be publicized through promotional materials, advertising at design and computer science school alumni programs, direct contact with possible grantees, and through any other medium you deem effective including but not limited to your website.

Applicants will submit a proposal detailing their proposed thinking game exploration project, accompanied by a curriculum vitae, resume, or LinkedIn profile. Eligible applicants will:

- Spend the majority of their time developing thinking games (not a full-time student or working full-time),
- Be 18+ years old,
- Have a demonstrated track record of creating innovative [redacted] or [redacted] games that utilize higher order thinking skills,
- Have a clear interest in bringing [redacted] games to a broader audience, including [redacted] communities, and
- Present an innovative take on the potential of [redacted] games.

Annually, you will designate a selection committee responsible for evaluating the pool of applicants on a rolling basis. The selection committee will be composed of professionals and experts in the game design domain and may include your employees. Your selection will be objective and non-discriminatory without regard to race, gender, religion, national origin, ethnicity, or sexual orientation. The selection committee will award grants based on:

- The qualification criteria,
- The applicant's prior work experience, merits, and track record indicating their ability to execute on the proposal submitted, and
- The alignment of the proposal to your impact area and program activities.

The selection committee will evaluate and vote on each proposal. Applicant who gets majority approval will receive a grant. Recipients can re-apply for another grant once they fulfill all conditions associated with the initial grants.

The following individuals are not eligible for the grants:

- Your substantial contributors,
- Your board of directors,
- Your officers,
- Any disqualified person within the meaning of IRC Section 4946,
- Members of the selection committee, and
- Family members of the persons listed above

During the grant period, you can facilitate the grants recipients with educational organizations and/or researchers to assist recipients in creating the most effective and accessible [redacted] games.

Grant recipients will submit a presentation at the end of the year regarding the use of the funds. This may include:

- Game prototypes or finished projects worked on
- New/skills/tools/languages learned
- Game jams or other community events participated in
- Mentorship activities.

Any intellectual properties created in connection with the grants will remain with the recipients. In the event that a recipient develops an game that further your exempt purposes, you may consult with the recipient regarding distribution channels that may assist in providing access for children in historically communities through schools or public libraries.

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.
- 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 1C5  
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'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed Letter 437, Notice of Intention to Disclose - Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

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

Enclosures:  
Letter 437