



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

Date:
05/02/2022
Taxpayer ID number:

Person to contact:

Number: **202230017**
Release Date: 7/29/2022

UIL: 4945.04-04

LEGEND

X = City, State

y dollars = amount

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under 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 scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in IRC Section 117(b)).

We also 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 scholarship grant program and an individual grant program.

Scholarship Program:

You are currently developing this program which will further your charitable mission by providing education assistance to deserving individuals in X and around the world. Scholarship amounts will be y dollars. Funds will be used for tuition, fees, and related expenses (books, supplies, equipment for courses, and living expenses). You will disseminate information about this program to students and prospective students using solicitations

and announcements. Eligibility will be limited to those enrolled in a course of study at an educational organization described in IRC Section 170(b)(1)(A)(ii). Applicants must complete a formal, written application which will include information such as a narrative of interest, academic transcripts, scores from tests that measure ability and aptitude for college and graduate work, and recommendations from instructors. Scholarships will be awarded on an objective and nondiscriminatory basis. Criteria used for selection include but are not limited to prior academic performance, performance on tests designed to measure ability and aptitude for college work, recommendations from instructors, financial need, and the conclusions drawn from a personal interview (academic interest, motivation, character, ability, and potential).

Scholarship funds will ordinarily be paid directly to the educational organization and you will annually request proof of enrollment and attendance. Students receiving any funds directly will have to provide an annual, periodic report on the use and progress made. These reports will include an account of courses taken during the grant period and grades received. In the case of individuals whose study at an educational institution does not involve the taking of courses but only the preparation of research, papers, or projects, you will require a report on the progress at least once a year. These reports will be verified by the educational institution attended by the student. Upon completion of the student's education at the educational institution, a formal report describing the student's accomplishments and accounting for all funds received with respect to the grant will be required.

Individual Grant Program:

You will provide grants to individuals to achieve a specific objective. Each award will have one of two purposes:

- o To allow a person with existing skills and knowledge to engage in critical analysis of issues that are germane to your charitable and educational purposes, or
- o To allow a person to further develop their knowledge and skills with respect to issues within your mission and which will enable them to utilize their improved skillset with the public at large.

Given your broad mission, the exact anticipated grants are not specifically identified. They will, however, fall within your "portfolios" such as criminal justice, education, local issues, etc. The nature of the grants will vary from portfolio to portfolio and may include:

- o Development of educational tools to improve educational opportunities for all children and to build educational excellence, evaluation of success (or failure) of alternative education systems, and
- o Projects to promote systemic, data-driven understanding with respect to state and local criminal justice issues, including; reform of the cash bail system, the disproportional effect of fines and penalties, and the long term effects of facially neutral policies that are applied in an unequal manner.

Grant amounts will be y dollars. You will disseminate information about this program via a broad solicitation to appropriate audiences and include a description on your website. The pool of eligible applicants will consist of persons who have an established knowledge base but wish to expand and further develop that knowledge through specialized inquiry and those who have already demonstrated knowledge, skill, experience, training, or education in an area within your mission and who seek to apply that knowledge for a specified project or study. Those interested will submit information in regard to their individual qualifications (transcript, resume, a written application, and letters of reference from those of expertise in the applicant's field). The written application will require a narrative description of interest, areas of interest for research, potential impact on the broader community, and how the applicant's work furthers your mission. The selection process will involve predetermined, objective, and nondiscriminatory criteria. Individuals who pass the initial application process will be interviewed regarding their professional work and its impact, research interests, and how it aligns with your mission. Applicants will also be evaluated on education, life experience, personal goals, anticipated

knowledge development and its impact, uniqueness of the project, history of success, alignment with your mission, etc.

Individual grant funds will be paid directly to the recipient. At the end of the grant period, the recipient will be required to provide a written report about activities, progress, and use of funds. If you make an individual grant for a period that exceeds one year, periodic written reports providing such information will be required at least annually. Upon completion of the undertaking for which the grant was made, a final report must be provided describing the accomplishments with respect to the grant and accounting for the funds received. If an individual recipient does not account for all funds, any unaccounted funds must be returned to you for use in furtherance of the charitable purposes of the initial grant.

Scholarship and Individual Grant Program:

There is no fixed number of grants expected annually. Rather, grants will be evaluated based upon perceived need for educational development of current or long-term issues within your mission or based upon facilitating non-partisan critical analysis of issues within your mission.

Grantees are subject to the approval of your board of directors. In some cases, your board will directly review grant applications or nominations and select recipients. In other cases, your board may appoint a selection committee comprised of directors and/or experts in their fields to review the applications and select finalists. For example, your executive leadership responsible for your various portfolios would likely be committee members. Grant candidates may not be related to a member of the selection committee or your board of directors, nor anyone whose selection would benefit a selection committee member or board member.

You may consider grants of any duration and will evaluate the nature of the proposed objectives within the context of the proposed project time frame. Funds may be granted annually and will be based on annual reviews with the individual. If it appears beneficial to extend the initial grant period, you will consider renewing.

You will promptly investigate any apparent misuse of grant funds or failure to provide required reports. While a matter is being investigated, you will withhold further payments on the grant until you have determined that no part of a grant has been misused and until missing reports have been submitted. If you discover that funds have, in fact, been misused, you will take all reasonable and appropriate steps to secure the repayment of the diverted funds. In addition, if such a diversion occurs where installment payments are being made on a grant, you will withhold any further payments until you have received assurances from the recipient that future diversions will not occur and has required the recipient to take extraordinary precautions to prevent future diversions from occurring. All remaining funds will be used for your charitable purposes.

If and when you conduct activities or provide grants/goods/assistance to individuals in foreign countries, you will check the OFAC list of SDNs and Blocked Persons. You have a written anti-terrorism policy and will comply with all U.S. statutes, executive orders, and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities or individuals or otherwise engaging in activities in violation of economic sanctions administered by OFAC. You will acquire the appropriate license and registration where necessary.

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.

IRC Section 4945(g)(1) Requirements:

- 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 the provisions of IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
 - 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.
 - 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 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'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.

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