



Date: 08/31/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202247018

Release Date: 11/25/2022

**LEGEND**

UIL: 4945.04-04

B = Scholarship

C = Religion

D = Number

E = Religious Creed

F = Number

w dollars = Amount

x dollars = Amount

y percent = Percent

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 program called B.

B will advance your mission of empowering members of the C faith to serve the poor as an expression of their faith. Through B, you will make grants to individuals of the C faith who have shown meaningful interest in addressing societal issues that affect the lives of people in the developing world. The grants will support visionary and entrepreneurially focused individuals of the C faith who intimately understand the societal problems and the communities they serve, and who show an interest in creating an organization in support of the

lives of people in the developing world. B will focus on, but not limit itself to, global health, child protection, refugees, homelessness, economic empowerment, and education.

You expect approximately D applicants in the initial year with the application period beginning \_\_\_\_\_ and closing \_\_\_\_\_. Those eligible include a broad range of applicants from different backgrounds, disciplines, and skill sets. Applicants must demonstrate their faith, be involved in, and demonstrate an ongoing commitment and accountability to a local church and affirm E religious creeds. Applicants must also have obtained a four-year college degree.

After the initial year, you will decide if, based on the number of successful applicants received, to use the same application timeframe or accept applications on a rolling basis. If you institute an application timeframe, grants will be awarded at the same time and announced on a specific date. You expect to award up to F grants annually in the range of w and x dollars depending on the cost of living, estimated operating costs, number of applications, and resources. If a grant recipient has already secured funding from additional sources, you will consider partial funding, as long as your funding is no less than y percent of the grant recipient's total yearly funding, and as long as all other funding sources (including those pending) are disclosed to you during the application process. B will be publicized via multiple channels such as C publications, conferences, student organizations, and university campuses.

You will require applicants to submit information through a three-phase application process. Phase 1 consists of a written application including contact information, current resume, faith statement, mission, and financial statement. The mission statement must outline in detail the problem and solution for which the grant is being requested. In Phase 2, your selection committee will review the written applications and determine whether to invite applicants to submit a business plan. On a case-by-case basis, and with the applicant's permission, the selection committee may request references from colleagues, supervisors, advisors, or pastors. Lastly, in Phase 3, the selection committee will determine whether to invite the applicant to one or more phone or in-person interviews.

You will select recipients by using a scoring system to rank applicants. Point values will be assigned to the following criteria and are subject to change at the discretion of the selection committee:

- Faith – the applicant should demonstrate an ongoing commitment and accountability to the faith and the proposed project should be motivated by his or her faith.
- Background – The applicant must demonstrate a track record of or potential for academic and/or professional success.
- Viability and Timeline – The applicant's proposal should sufficiently address the mission statement questions in their initial written application, including clear goals, well-conceived strategies, viable timeframes and expectations, and appropriate performance indicators.
- Financials – The applicant's financial statement and business plan must be well-researched and include a detailed line-item budget with personnel and program-related expenses in line with the country of implementation.
- Geographic Location - Preference will be given to applicants whose work will be implemented in the poorest nations.
- Performance Indicators - The applicant must outline ways to monitor and measure program performance.
- Sustainability - The applicant must specify a plan to obtain funding and/or self-sustain the program after the one-year grant period is completed.
- Communication - The applicant must outline a plan to publicize the program, promote awareness, and gain buy-in from the people he or she seeks to serve.

In awarding grants, you will not discriminate on the basis of race, national origin, sexual orientation, or gender. Additionally, your officers, directors, substantial contributors, selection committee members, and the children and close relatives of such persons are not eligible for grants.

Your directors will form a selection committee of three individuals. Additional members may be added, including former grant recipients, to ensure a robust and diverse group of appropriate experts. In order to serve on the committee, one's missions and values must align with yours. Your directors have sole discretion to add, remove, or replace members. New members must possess the requisite knowledge, experience, and abilities to serve. Each member is required to disclose the existence of a relationship that he or she has with a potential grantee under consideration and refrain from any related votes. Selection committee members, and their children or close relatives are not eligible for grants.

Recipients are required to submit written updates at least three times a month. Each update should include an outline of activities, progress achieved towards previously-outlined goals and metrics, and photos of the work being done. Recipients are also required to provide progress reports and financial expense details at the four, eight, and twelve month marks. If you have reason to believe that all or part of the grant is not being used in furtherance of intended purposes, you will withhold further payments during the course of investigation. In the event of misuse of funds, all reasonable steps will be taken to recover any diverted funds or to ensure that any unused portion is either returned or used for the intended purpose. In any case where you find grant funds are misused, you will refrain from making additional disbursements and take further appropriate action as necessary. Grants are not renewable, but recipients are welcome to re-apply and may be given preference if outstanding work has been exhibited during the recipient's first grant year.

Case histories will include the results of your comparison of the recipient's name to the names of known terrorists and that the applicant bears no relationship to officers, directors, and substantial contributors to you or members of the selection committee. Further, 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 using software that aggregates numerous, continually updated terror and watch lists, including the SDN (specially designated national) and Blocked Persons database maintained by OFAC (Office of Foreign Assets Control).

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

- 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