



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

Date: May 10, 2023

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202331005

Release Date: 8/4/2023

LEGEND

y dollars = \$

UIL: 4945.04-04

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 program to support low-income and under-served amateur athletes who seek to improve their athletic skills and compete in national and international competitions. You will work with athletic programs described in IRC Section 501(c)(3) to identify eligible athletes. You will support specific athletes and/or athletic programs that focus entirely on training athletes from low-income backgrounds.

You will publicize the program among educational organizations that train promising youth athletes and organizations that focus on the preparation of amateur athletes for national and international competitions. The availability of the application forms and informational packets will be made announced on your website.

You will support educational sports programs for youth and programs developing the talents and competitiveness of young adults. You will select youth who demonstrate athletic promise, personality, character, financial need, and who would likely benefit from the support you will provide. The amateur athletic grant applicants must identify the specific national or international competitions in which they intend to

compete and describe financial assistance needed to participate in the competitions. The amateur athlete must meet specific performance thresholds applicable to the relevant sport in which they plan to compete nationally or internationally. You will work with directors of athletic programs to identify eligible applicants.

Individuals who are employed by you, employed by organizations controlled by any of your directors, members of your board and their relatives are not eligible for grants.

Grants are to be used to pay such expenses as travel, camp fees, competition costs, and other related expenses associated with training and participating in competitions. You expect to award - grants per year in various amounts up to y per athlete. The number and amount of grants awarded will depend on available funds and your priorities. At this time, the grants are not renewable.

One or more of your directors or persons, delegated selection authority to select grantees, will work with directors of the athletic programs to identify grant recipients. You will rely on recommendations from the athletic directors and possibly conduct interviews of the eligible applicants. In selecting the grant recipients, you will consider the athletic promise of young athletes and the athletic talent and capability of amateur athletes to compete successfully nationally and internationally. The recipients must be able to provide documentation of financial need.

Grants will generally be paid directly to the athletic programs to cover the grant recipient's participation, competition, travel and/or hotel fees. The directors of the athletic programs will regularly provide reports to account for the distributions. Any funds distributed directly to a grant recipient will require the recipient to sign an agreement. You will monitor and evaluate the expenditure of the funds and the recipient's progress. Any grant misuse will be promptly investigated and will require the return of funds with no further distributions to that recipient. You will maintain the records required regarding distributions of funds to individuals.

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 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.

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