

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

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**Employer Identification Number:**

**Contact person - ID number:**

**Date: June 19, 2019**

**Contact telephone number:**

LEGEND  
X = Name  
b = Numbers

UIL: 4945.04-04

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

You asked for advance approval of your educational grant procedures under Internal Revenue Code Section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

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

**Description of your request**

Your letter indicates that you will operate an educational grant program called X.

Your purpose is to improve understanding about entrepreneurs and the levers, tools, and methods that can advance entrepreneurship in the United States.

The purpose of X is to provide grants to further your purpose by funding research projects, which produce tangible insights for entrepreneurs, entrepreneurship programs, policy design programs, ecosystem leaders and researchers. Furthermore, the research should produce important information which can be used immediately by entrepreneurs, entrepreneurs support interventions (e.g., incubators, mentoring programs, venture funds), and policy and program designs users. You also hope the research produces insights and methods that allow you and the public-at-large to examine what happens in various settings and/or what happens when new approaches such as new data, technologies or research methods are used that yield practical information that improves entrepreneurial success. In some instances, you may also arrange for or provide mentoring professional development and research enhancement opportunities to assist

individual researchers who may be awarded a grant. However, you will not pay tuition or provide support towards the completion of requirements for a degree program other than providing grant funding for the proposed research project.

The number of recipients for X will vary depending on your available budget for X. Currently, you plan to provide in the range of b grants for each cycle of X and as many as 75% of those grants may be made to individual researchers and students. As you evaluate the success of X, including its feasibility and impact as well as the number of applications received, the exact number of awards granted may change over time depending on the availability of your funds. The amount of each grant will also vary, based upon the proposed scope and needs of the funded research projects. Furthermore, all grants are subject to final approval by your Board of Directors.

Any credible researcher is eligible to apply for X including researchers at universities and academic institutions, laboratories, business enterprises (provided expenditure at universities and academic institutions is undertaken and the research is of broad public interest), nonprofit organizations (provided expenditure responsibility is undertaken), charitable organizations, and individuals. Applicants from universities do not have to be tenure-tracked or tenured professors, and student submissions can come from doctoral candidates as well as students or student teams at other levels of study. In addition, eligible individuals must be legal residents in the United States and must be able to remain and work in the United States as researchers for the duration of the proposed research project. You may expand and develop these factors as you acquire experience with the grant program.

Under X, there will be multiple grant cycles and each grant cycle will usually involve a multiple-step process. Your Director of Research will be responsible for managing the grant cycles including the process of intake, verification of information, evaluation of the project (with a specific focus on scientific contribution and practical and practical design of the research), and communication of final decision.

Generally, on a cyclic basis, your research department intends to identify a specific topic of interest for X that you believe can improve the environment for entrepreneurship. You will then conduct a widely circulated public call which will be posted on your website and widely disseminated through social media, and other professional and social networks. The call will invite researchers in the first round of the selection process to submit a two to three-page white paper detailing their research proposal addressing the specific topic. During the first round in X, the white papers will be reviewed as follows:

- The papers will be initially screened and evaluated by your Director of Research for the proposal's strategic fit including its fit with the goals of X, its substance and feasibility, proposed research questions, the methodology and proposed budget, the potential beneficiaries of the proposal, and whether there is enough information that it can be determined if the proposal can be accomplished. Those papers not immediately declined will be reviewed a second time by your program officers.

- Your program officers will then review the papers that your Director of Research forwarded to them for a further evaluation of the strategic fit, the promise of the proposed research, potential beneficiaries and solutions, research questions and methodology, anticipated budget and any additional concerns that may arise. After this evaluation, your program officers will identify those applicants' white papers that should be considered for invitations to submit a full proposal for the second round of the process. They will then provide recommendations to your Director of Research who will review their recommendations and provide final approval for those invited to submit a full proposal for the second round.

Those invited to participate in the second round must submit a full proposal, detailing their research project and provide practical workplans. Furthermore, the proposal must answer specific questions that will establish the specific criteria for evaluation and these may vary between grant cycles. These criteria may include the demonstrated need for the research, targeted beneficiaries, the timeline and implementation plan, relevant qualifications of the researcher, challenges the project will pose, the project budget and other information requested by your staff.

After the submission of the full research proposals, one of your research team members will be assigned to review each submitted proposal. The research team will then meet regularly to discuss each full proposal and will select the final list of projects to be funded, based on the availability of funding, how well the proposal meets the applicable criteria, collective fit within the portfolio of other X research projects that have already been funded, and contributions of the project to your mission. Other criteria that may be considered also include the applicant's credibility and ability to successfully complete the proposed research project; whether the project can realistically deliver on the promises set forth in the proposal, the potential beneficiaries of the research, the methodology being employed; and the anticipated budget for the research proposal.

In some cases, applicants may be asked to update or provide more information regarding their full proposals based on feedback of your research team. In other cases, where the method of research is very unusual or highly technical or if the evaluators have questions about the researcher's skills to successfully carry out the research project, a full proposal may be sent to a third-party subject matter expert (with a confidentiality clause in the review contract) for additional feedback and evaluation of the proposal.

After the recipients are selected, your Director of Research is responsible for communicating and notifying the recipients that they must complete a written grant agreement detailing the terms of the grant. Furthermore, individual grant recipients or organizations which are the direct recipients of grant funds specifically earmarked by use by individual grantees will be required to provide periodic written reports to you about grantees' activities, their progress and use of funds. Such reports must be provided no less than annually. If such reports do not account for all funds, any unaccounted funds must be returned to you for use in the furtherance of your charitable purposes.

You will promptly investigate any apparent misuse of grants funds or failure to provide required reports. While a matter is being investigated, you will withhold further payments to the individual 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. You will withhold any further payments until you have received assurances from the grant recipient that future diversions will not occur and have required the individual to take extraordinary precautions to prevent future diversions from occurring.

Presently, you do not anticipate that it will be necessary to renew grants. Under compelling circumstances, however, you may agree to provide additional funds for a grantee to pursue additional research. If a grantee were to demonstrate the need for, or interest in continued or extended research activities, you could choose to renew the grant provided that, in accordance with Treas. Reg. 53.4945-4(a)(3)(iii), you have no information indicating that the original grant was used for any purpose other than that for which it was made and any reports due pursuant to the terms of the original grant have been furnished. Any additional criteria and procedures for renewal will be objective and nondiscriminatory and otherwise consistent with your exempt purposes.

#### **Basis for our determination**

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

- 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 Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of 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 Regulations 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 covers only 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 precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make 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 must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code 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 representatives as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements