

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

**Department of the Treasury**

Number: **201945030**  
Release Date: 11/8/2019

**Employer Identification Number:**

**Contact person - ID number:**

**Date:** August 13, 2019

**Contact telephone number:**

**LEGEND**  
X = Award  
y dollars = Amount

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. The purpose of X is to provide financial support to allow an individual employed by a charity to go on a sabbatical. This time will be used to promote activities that will provide personal and professional growth opportunities for individuals to improve or enhance the capacity, skill, and talent of individuals in the charitable sector, which will ultimately benefit the charity.

The grants may be used for personal and professional growth opportunities such as to attend conferences, workshops, or professional development courses. The funds will also be allowed to be used for travel costs associated with extended learning and rejuvenation.

There is no formal application process. The program is communicated through your staff to eligible charitable organizations. Your program officers will identify eligible organizations with potential awardees. The organizations will have been former or current

grant recipients of yours, will have five or more full-time employees, and will be able to sustain regular operations during the recipient's absence. You will work with the charity to collectively identify a sabbatical recipient.

The award amount is y dollars. These funds will support a sabbatical for an individual leader at the charities, with time away from their professional life to reflect and renew in a manner not possible while working. This grant is given in conjunction with a grant to the charity where the recipient is employed. You will also provide up to 15 hours of expert coaching for the recipients where you will create a leadership plan and sabbatical goals, determine what resources are needed to achieve these goals, and how to sequence and sustain them.

Additionally, you will provide support and peer learning through convenings of charitable organizations, sabbatical recipients, and mentors. Mentors are individuals who have participated in similar sabbatical and leadership development programs - and who are also current/past grantees - and will serve as an advising voice to the recipients. The mentors' personal life experiences of participating in similar sabbaticals and organizational shifts will provide authenticity and depth of knowledge to the cohort and program.

The recipient of X should have a minimum of 5 years of employment at an eligible organization. Exceptions may be made for an outstanding individual who is dedicated to the exempt sector and has made a transition from another charity to the eligible organization. They have demonstrated, through the eyes of staff and board, meaningful impacts and leadership benefitting the charity and its mission regardless of the individual's job title. They must hold a position in the charity that, in their absence, may be filled with an existing staff member or be temporarily re-configured for the organization to experiment with flexible leadership models/modes of working. They must have self-identified their interest in the program, and the timing is right for them with regards to work, family, etc.

Your staff will schedule a mid-point check-in with the charities to learn how implementation and planning are coming along, see ideas in action, and hear about any concerns. By meeting with the charitable organizations mid-point through your development activities, you hope to provide multiple opportunities to listen and capture the learnings during the grant term. Your staff will meet with the charitable organization's interim leadership team. This offers an opportunity to express your gratitude to the staff for shouldering the extra workload and provides an immediate report on what the experience has been for the charity.

The selection committee will consist of your staff members that work closely with charitable organizations. The committee members must be employed by you and knowledgeable of the grantee portfolio and the charitable organizations individually. You feel your staff is in the best position to understand needs of the charitable organizations and the impact of X would make to the charity.

Once the sabbatical period is over, the recipient will submit a two-page reflection on their experiences within two months of completion. The recipient will also submit detailed expense logs of their grant fund usage.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the 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 diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the grants described above.

#### **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 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 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.

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