

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:

Contact telephone number:

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 which will support activities that further your exempt purposes. Your grant program will allow you to foster and strengthen charitable work dedicated to bringing about societal change to address critical areas such as poverty, inequity, racism and discrimination, access to education, and protection of human and civil rights, for the broadest possible benefit to the general public.

The grants will support education and training, professional and leadership development for emerging grassroots activists, and community leaders who are dedicated to organizing for societal changes that improve the lives of people in need and support communities in need, and other charitable work in furtherance of your exempt purposes.

Grants will be designed to support leadership development of individual recipients and/or particular charitable programs and objectives through continuing education, training, research, attendance at conferences and workshops, and collaborations with other activists, charity workers or scholars.

Grants will be awarded based on your intrinsic interest in the proposed project/use of grant funds, relevance to your exempt purposes, the applicant's prior experience and contributions to his or her field or demonstrated academic achievement, and his or her leadership potential in his or her field.

Eligible grant recipients will include activists working for social change or community organizing to improve lives and communities or achieve other charitable purposes, charity workers, students and scholars, and other individuals from a variety of disciplines and backgrounds. They will have specialized skills, experience or knowledge in, and a commitment to, areas of interest to you, including, without limitation, social change or community organizing to achieve charitable purposes or related charitable work, and who demonstrate potential to serve as leaders in their fields.

Grantee application and selection may be a multiple-step process depending on the purpose of the grant, but all grants will be subject to approval by the Board. In some cases, the Board may directly review applicant nominations and grant proposals and select the grantees based on its review. In other cases, the Board may delegate the initial selection process to your staff members or a selection committee, who will review the nominees and/or grant applications, perhaps in consultation with experts in the field, and select finalists for Board consideration.

The process of selection of grantees will include consideration of the following factors:

- the applicant's demonstrated specialized skills, experience or knowledge in and commitment to areas of interest to you, including without limitation social change or community organizing for charitable purposes or related charitable work;
- the applicant's demonstrated potential to serve as a leader in his or her charitable field;
- the applicant's relevant professional, volunteer/activist and/or academic achievements to date; and
- the proposed grant purposes and the potential for the use of funds to enhance the applicant's leadership skills and/or particular charitable programs and objectives and his or her ability contribute to or serve as a leader in fields of interest to you in furtherance of your charitable purposes.

The number of grant recipients selected and the amount awarded to each recipient will be determined based the amount and purpose of the applicant's request, the number of qualified candidates, and your available funding.

You may consider grants of any duration and will evaluate the nature of the proposed grant objectives within the context of the proposed project time frame. Renewal grants are contingent upon the grantee meeting the objective and nondiscriminatory criteria established by you and adequately reporting to you on the use of grant funds and progress toward grant goals. Renewal grants will only be made if you have no information indicating that the original grant is being misused.

Grant recipients may not be “disqualified persons” with respect to you, within the meaning of IRC Section 4946. Grant recipients furthermore may not be related to any officer, director, substantial contributor, or member of a grants selection committee, nor may they be persons whose selection would result in private benefit to any officer, director, substantial contributor, or member of a grants selection committee.

Each grantee must submit a written report to you at least annually describing their accomplishments with respect to the grant and providing an accounting of the grant funds received, as well as a final report upon conclusion of the grantee’s grant-funded work. For all grants, you may require more frequent (e.g., quarterly) reporting from the grantee either in writing or by email, telephone, or in-person meeting.

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 grant payments to the extent possible until you have determined that no part of a grant has been misused and until missing reports have been submitted.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, 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 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 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 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 representative 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