

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

Department of the Treasury

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Release Date: 1/24/2020

Date: **October 28, 2019**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X = Name

Y = Number

Z = Numbers

b dollars = Amounts

c dollars = Amount

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 the X is to award grants to increase participation in various types of unconventional educational workshops. Through X, you hope to develop the recipient's :

- Professional skills;
- Literary skills, such as emotional and somatic literacy; or
- Musical, artistic, and writing skills, as well as other forms of self-expression.

Under X, you will fund recipients to attend these workshops which will usually last up to a week and be provided by third parties. You will pay up to % of the cost of the workshop including the cost of tuition, travel, accommodations and per diem. Furthermore, you anticipate the average grant will be in the range of b dollars and will average c dollars.

You will annually determine the number of grants based on the amount of funds available and in the first year of X, you anticipate that you will award Y grants.

To advertise to the public, you will use your presence on the internet including social media and print publications to provide pertinent details including the application process. Although you have yet developed an application, you anticipate that all applicants will be required to provide contact and biographical information, a statement describing their financial need, and information about the workshop they wish to attend including the following:

- Name, date, description, and provider of the workshop;
- Tuition and estimated travel costs;
- A description of the workshop and how it correlates with X's purpose as well as yours;
- A narrative explaining their personal story and interest in the workshop;
- An explanation focusing on how the workshop will improve and enhance their skills.

Recipients of X will be chosen in an objective and nondiscriminatory manner by a - member selection committee of which three will be your board members. Periodically, the board will review committee membership and may change the number of members. Criteria for committee membership will include experience working with young adults and experience regarding unconventional educational programs.

Your selection committee will review the applications and interview the most qualified applicants so that these applicants can articulate how their attendance at the proposed workshop will improve their skills. Then the recipients will be chosen based on their motivations, character, abilities, and potential for improvement and growth within the context of your mission as derived from the application information and the interview. Furthermore, your selection committee may give preference to applicants with demonstrated financial need, and to young adults in the range of Z years of age. To verify financial need, you may require applicants provide you tax returns as well as other income and asset information.

Before you release a grant to a recipient and prior to the workshop, you will require the recipient to affirm through a written agreement that if they do not attend the workshop or do not use the grant funds for the purposes for which they are granted, then they are required to return to you any misused or unused funds. Recipients may also apply for more than one grant to attend different workshops but may not receive a grant to attend the same workshop twice.

After attending a workshop under X, you will require grant recipients to participate in an interview and provide a written report detailing how:

- The funds were used;
- They benefited from the workshop;

- Their experience correlates with and furthers your mission.

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, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) 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 the following: (1) all records relating to individual grants including information to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the 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