

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

Department of the Treasury

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**Date:** March 23, 2021

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

LEGEND

UIL: 4945.04-04

B = Grant Program  
C = Grant Program  
D = Country  
E = number  
y dollars = amount  
z 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 intend to make grants to individuals in programs called B and C. You plan to award up to E grants, ranging in amount from y dollars to z dollars. Specific amounts will vary based on the need and situation of a particular grantee.

The purpose of B is to bring out the best in entrepreneurs from the developing world. You are particularly interested in funding within your focus areas which are women in STEM (Science, Technology, Engineering, and Mathematics) and individuals working and living in D in need of an educational opportunity to make a global social impact. The applicant pool will consist of young, brilliant entrepreneurs with innovative ideas to make the world a better place and verifiable experience with creating a technology solution for a social

problem they have identified. All grantees will be required to participate in group activities with their fellowship cohort and to produce something meaningful in their STEM discipline in support of your charitable goals.

The purpose of C is to support artists from D working with charitable organizations, educational institutions, and museums around the world. The goal is to promote the cultural perspectives of D through artistic expression aimed at making a genuine social impact. The applicant pool will consist of young, brilliant artists with innovative ideas to make the world a better place and verifiable experience with creating and successfully exhibiting their work through a regional or national venue. All grantees will be required to share a portfolio of their supported work with you and to demonstrate that they successfully exhibited their work in connection with an artistic, educational, or charitable institution.

You will use the following general procedures and requirements for both programs:

- Require applicant to submit a letter of intent;
- Conduct an initial review of the applicant's professional history to determine if their work is consistent with the goals of the program;
- Require the applicant to complete a grant application that includes a description of their career goals or artistic project, along with a budget and description of how grant funds will be used;
- Conduct a pre-grant inquiry involving standard due diligence;
- Require at least one informal or formal progress report detailing the use of grant funds, and may require multiple reports for a multi-year grant;
- Require the grantee to submit a final report at the end of the grant term sharing the output of their efforts in the program with additional detail to demonstrate the impact they have made towards your charitable goals.

You will publicize the programs via your website, your volunteers, recommendations from prior grantees, and word-of-mouth. You will select applicants based on an objective and nondiscriminatory basis. Selection criteria will include strength of the application, outcome of the grant procedures described above, and overall potential to make an impact in one of your philanthropic focus areas. Your officers, directors, and substantial contributors, and the children or close relatives of such persons will not be eligible to receive grants. All grant awards will be documented in a grant agreement and have a timeframe for expenditure.

You are currently gathering your selection committee and anticipate it will consist of 2-3 members and will vary based on availability. You will seek to appoint those with adequate education and professional backgrounds in philanthropy, business, finance, technology, the arts or the sciences. Your founder will be a constant member and can add or remove other members. Selection committee members and their children or close relatives will not be eligible to receive grants.

In order to maintain the grant, individuals must provide progress reports and periodic information, continue to meet the terms represented in the initial grant application, satisfactorily pass any site visits, virtual interviews, or other data requests, and submit updated financial, program, management, and organizational information on an annual basis. Grants can be renewed if the previous grant met your reporting requirements and demonstrated advancement of your philanthropic goals. The renewal grant will be subject to the same qualification requirements.

In the event of a suspected misuse of funds, you will investigate to determine if the situation is a mistake that can be corrected and will take appropriate action following your investigation. Where there has been a misuse of grant funds, you may withhold future payments to the grant recipient, work with the grant recipient to correct the misuse, and seek the return of some or all grant funds. You represent that you will 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 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 will maintain complete records regarding the applications, selection process, expenditures, and reports submitted by the grantees to allow you to continuously re-evaluate and improve the grant program. You will maintain detailed case histories recording the name and address of the applicant and the amount of the grant. Also included will be application forms, reports and documents submitted by applicants/grantees, confirmation that the applicant bears no relationship to the officers, directors, and/or substantial contributors to you or members of the selection committee, and any reasonable efforts related to due diligence on applicants. You represent that you will maintain the following: (1) all records relating to individual grants including information to evaluate grantees, (2) if a grantee is a disqualified person, (3) the amount and purpose of each grant, and (4) information to establish that you undertook supervision and investigation of grants.

For prospective foreign grantees, you will operate in compliance with all statutes, executive orders and regulations restricting or prohibiting US persons from engaging in transactions and dealings with terrorist designated countries, entities, individuals, or in violation of economic sanctions administered by the Office of Foreign Assets Control (OFAC). You will check the OFAC list of specially designated nationals and blocked persons. You will acquire from OFAC appropriate licenses and registrations where necessary. You will conduct periodic reporting, annual accounting, site visits, and community accountability through relationships with partner organizations. You have also engaged consultants with extensive experience with international grant-making procedures to support your efforts.

#### **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