

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

Department of the Treasury

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Release Date: 12/19/2014
Date: September 22, 2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

B = foundation
C = LLC
D = grant program
E = religion
f = dollar amount
g = dollar amount
h = dollar amount
j = dollar amount
k = dollar amount
m = dollar 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

B, a foundation and the sole member of C, operates an educational grant program called D. The purpose of D is to deepen and enrich the E educational learning opportunities of students and, where relevant or desired, their families, by offering grants to organizations for use in such programs. While B will primarily fund D, B may request that other donors enter into their original grant agreement with the recipient in providing additional funding. You plan on operating in connection with B to become an additional donor party to the grant agreement. In doing so, you will provide grants to the original recipient and funds

would be administered and monitored under the procedures established by B described below.

The duration and amounts of the grants awarded to educational organizations will vary, but most are expected to be in the form of three year grants in amounts ranging between f and g dollars per annum. You will fund each grantee's program in the first year. Thereafter, grantee organizations are expected to obtain increasing amounts of donor commitments to cover the costs of their programs.

You expect to mail informational materials to individual educators who are working at organizations that provide E educational programming to students in grades kindergarten through twelfth grade and college. The educators who have received (or will receive) the solicitation materials and application package have been (or will be) pre-selected by nominators engaged by you to identify and recruit potential applicant organizations with outstanding educators at their organizations.

Since you do not have educational staff with E educational experience, you developed relationships with individual consultants who have experience with formal and informal programming to help identify an appropriate applicant pool and to ensure high quality among the applicant pool.

You have engaged individuals to serve as nominators in connection with D. You requested that the nominators identify a group of outstanding innovative educators working with educational organizations who you could invite to apply for funding. Nominators were asked to identify individuals with a reputation for implementing high quality programming and a proven track record for achieving educational results. Additionally, you requested that nominators identify educators who the nominators believe can propose new programs that could be implemented by the educational organizations where such educators are employed that would deepen and enrich the knowledge and identity of the students of such organizations and educators and if relevant, the families of these students. While the objective is to have innovative educators design D programs, you will also consider the nature of the organization where the educator is employed, as the organization will be responsible for supporting, sustaining and implementing the educational programming if the organization is awarded a D grant.

The class of eligible grantees is limited to educational organizations at which educators identified by the nominators are employed. Although the invitations are intended to be non-transferable and personal to the identified educators, you are committed to building educational programming at the grantee organization under the supervision of either the nominated educator or another qualified educator at the organization that is selected by the grantee organization. In making their initial nominations, the nominators will take into account the experience of the organization in implementing high quality educational programming.

You will review the submitted applications, based upon a number of criteria, including, experience and track record of the applicant organization in executing effective E educational programming, the clarity of the plan and budget, readiness of the organization to implement the proposed project and goals of the proposal and the probability of the organization achieving the stated goals of the proposal.

You expect to commit funds to D in its first year sufficient to enable between ten to twenty grantee organizations to begin developing programs with the nominated educators. Thereafter, the extent to which you will commit to funding programs and new grantees will be determined after an assessment regarding the success of the first grantees' programs and available resources.

Each grantee may request a different amount for each of the three years as it builds its program. In the first year, grantees may request between f and g dollars. In the second year, grantees may request between f and h dollars. In the third year, grantees may request between f and j dollars. In years two and three, the grantee organization is expected to also raise program funds from other sources.

During the third year of the grant, you will evaluate the impact of the program and effectiveness of grantee organizations for achieving proposal objectives. Based upon implementation feedback such as increases in the program participants or quantity of time participants spend engaged in programming supported by D or increased depth or measure of learning as determined by valid educational measures, you will invite a number of grantees to apply for an additional two years of grant funding. If awarded an extension grant, each grantee organization would be eligible to receive a maximum of k dollars in year four and m dollars in year five. As with the standard three year grants, such extension grant will be made with the expectation that the grantees secure increasing amounts of donor commitments to offset program costs.

You will fund each grant in installments with an initial payment up front to fund the first eight months of programming in year one. Thereafter, each grantee organization would submit a report to you every six months. Upon receipt of a report which evidences the satisfactory continued implementation of the program supervised by an adequately qualified educator (whether the initial nominated educator or a replacement selected by the educational organization), you will fund the subsequent payments in years one, two and three (and, if extended, years four and five). If the nominated educator leaves the educational organization after you enter into the grant agreement, the educational organization would be responsible for selecting an adequately qualified educator to continue implementing the program.

Grantees will submit written reports to you every six months. Reports will include a narrative description of the implementation of the educational programming and will be accompanied by a financial report on the use of granted funds compared against the budget. A program coordinator or other C representative will regularly communicate with each recipient organization to receive feedback on the funded program and how the grant monies are being spent in connection to such programming.

Each grant recipient must keep and maintain such financial records and in such a manner so as to adequately reflect and account for the use of the organization grant funds, and to furnish originals, or authentic copies to the program coordinator upon request. C, in its sole discretion, may take any and all such reasonable and appropriate steps (including, possibly, legal action) to compel compliance of use of funds for their intended purpose, including requiring the return of all, or any portion, of funds remitted and the withholding of funds not previously remitted.

The awarding of D is a multi-faceted process which begins with the initial identification of educational organizations at which nominated educators are then employed. Nominated educators are then sent informational materials and grant applications which they are encouraged to complete with the appropriate stakeholders at their respective educational organizations. Applications must be submitted by educational organizations. Completed applications submitted by those educational organizations are then received by you and evaluated by your selection committee.

Each completed application will be reviewed by one or more members of your staff and a nominator (other than the nominator who originally nominated the educator who was the architect for the related proposal). Each member will rate the application in connection with following parameters:

- The internal logic, educational strength and process of implementing the educational proposal described in the application.
- The evidence and probability that the proposed educational programming will significantly deepen and enrich the educational growth of the program participants.
- The track record of the organization in implementing educational programming and in successfully implementing new educational programming.
- The readiness of the organization and commitment of the organization to expand and offer the new programming.
- The level of involvement and supervision which the selected educator will assume in guiding the project.

The selection committee will also be responsible for identifying any relationships between potential grant applicants and disqualified persons and ensure that organizations with any such relationship(s) are not awarded grants. Your selection committee consists of one or more members of your staff; and a nominator (other than the nominator who originally nominated the educator who was the architect for the related proposal).

If any member of the senior staff or management of a potential grant recipient is either related to (whether by blood or through marriage) or has any direct or indirect affiliation with the D program coordinator or any director, officer or employee of you or C, they will be ineligible to participate in the program.

No director, officer or employee of you or C, or any other person who is involved in the process of selecting applicants for the program will be in a position to derive a private benefit, directly or indirectly, if certain potential grantees are selected over others.

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,

Director, Exempt Organizations