

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

Department of the Treasury

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Release Date: 6/28/2019
Date: April 2, 2018

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Program
C = City
d dollars = Amount
e 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 loans 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 you will operate an educational grant program called the B. Your purpose is to provide grants of up to d dollars to individuals from low-income communities in C to work on grassroots social change projects for the specific objectives of (1) improving the quality of individuals living and working in such blighted areas of C, (2) improving and cultivating the skill of the recipients, and (3) fostering the development of creative solutions to the issues facing disadvantaged communities in C.

Your mission is to improve the quality of life of individuals living and working in C and surrounding communities. You have pursued this mission through grants to organizations in C but you would now like to make grants to individuals pursuing projects that fit within your mission. The grant making strategy is to develop more accessible and equitable ways to fund and support transformative social change in C.

The grants are to be made to individuals and will be used to fund programs relating to grassroots community building, leadership development, cultural work, community

organizing, and other community work where the primary participants and leadership of the projects are representative of the communities to be impacted.

The goals of the grant program are to nurture community level social change in C, to support grassroots advocacy and community organizing in C, and to model grant making that more closely reflects C's demographics.

Examples of the types of projects that could be funded by your grant program will include:

- Forming a tenant group to fight for safe, comfortable, affordable housing, senior services, and strong tenants' rights.
- Forming a coalition to organize for a safe, reliable, and affordable public transportation system, to bring the voices of traditionally marginalized riders to the conversation so that needs and concerns about community safety, accessibility, and equity in a public transit system are heard.
- Starting a business boot camp for low-income mothers to develop leadership, business management, and collective governance skills that will help them start, run, and operate a childcare cooperative.
- Establishing a youth-led collective to create spaces for youth to discuss, process and combat oppressive forces that cause trauma, and inspire a generation of strong, resilient, self-actualized leaders who advocate on behalf of themselves and their peers.
- Founding a worker-owned cooperative that provides quality employment to returning citizens and troubled youth while providing excellent moving, landscaping, cleaning, and other home improvement services.

You do not provide educational loans.

You are in the process of hiring a grant manager who will use word of mouth and paid advertising (print, digital, and radio) to market directly to potential grantees, C community-based organizations, cultural organizations, schools, and social service agencies that engage with individuals from low-income communities.

The information about your grant program will be hosted on your website and a separate website dedicated to the grant program. Your website will host the on-line applications, along with a printable version, FAQ's, information session dates and deadlines, and contact information.

Your grant manager will maintain the case histories of your grant recipients, including names, addresses, purpose of awards, amounts, manner of selection and relationships, if any, to officers, directors or donors of funds.

To be eligible for your grant, the applicant must satisfy the following criteria:

- The applicant must seek to pursue a project that is connected to building the political, economic and/or social power of low income communities in C
- The applicant must be impacted by the issue addressed by the project
- The applicant must not be seeking more than d dollars, and

- The applicant may not be related to any of your officers, directors, or staff members.

Your grants will be made to individuals with the eligibility criteria set forth above based on the following selection criteria:

- Need - Whether the project the applicant intends to carry out seeks to solve or address an important problem in C.
- Community Involvement - Whether the applicant has demonstrated meaningful impact in their community through past actions.
- Ability - Whether the applicant has the skills necessary to carry out their project successfully.
- Collaboration - Whether the applicant is connected to the networks or resources needed to advance their work.

Your grant applications will be reviewed and evaluated using the following process:

- Reading and Discussion - Each application will be read by all the members of the selection committee but will have three primary readers. All committee members will be expected to be familiar with each application. Primary readers will lead the discussion and make initial recommendations with the input from the entire panel.
- Ranking - Committee members will use a five-point metric based on the selection criteria set forth above. Each applicant will be scored numerically and ranked.
- Deliberation - The ranked list will be separated into top, middle, and bottom tiers. The committee will review the list and deliberate to ensure cohort diversity and potential for impact. The ranked list will then be edited as needed and finalized.
- Award Amounts - Based on the scope of projects and amounts requested, panelists will make finalist recommendations to you.

You anticipate allocating e dollars each year to fund grants awarded under your program and you will make grants until the annual funds are expended. Generally, each of your grantees will receive the amount requested in their application; however, your selection committee reserves the right to use their own discretion to make a larger or smaller grant.

Your grant recipients must sign a grant agreement which indicates:

- The grant monies must be spent within one year of the award.
- Your grantee must submit two reports describing progress made on their project. The midterm report is due six months after the grant is awarded and the final report twelve months after the grant is awarded.
- The grantee must keep records of expenditures and enable such records to be readily reviewed.
- The grantee must notify you should any significant change occur in the project plan or in the planned expenditures of the grant funds, as specifically set out in the project plan and budget.
- No portion of the grant funds may be used to (i) influence the outcome of any specific public election; (ii) to carry on propaganda or otherwise to attempt to influence (within the meaning of IRC Section 4945(d)(1)); or (iii) to undertake any

activity for any purpose other than a charitable, educational, etc. purpose described in IRC Section 170(c)(2)(B).

- Grantees must acknowledge your support in written materials relating to the project.
- You may include information about the grantee and their activities in your annual reports, website, and social media.

Grant recipients will receive their awards in three payments:

- Upon grant notification and return of a signed grant agreement, recipients receive 60 percent of their grant award amount
- After submission of a midterm report six months after the grant is awarded, recipients receive 30 percent of their grant award amount, and
- After submission of a final report twelve months after the grant is awarded, recipients receive the final 10 percent of their grant award amount.

Additionally, your grant manager will communicate regularly with grantees through monthly newsletters, quarterly meetings, and grant-related events.

If the terms of the grant agreement are violated, then all pending and future payments will be suspended until an investigation is completed and any violations are corrected. Payments already made will not typically be required to be refunded, except in cases of extreme negligence and mismanagement.

The selection committee will be comprised of five members who make a commitment to serve for two years. The initial members of the selection committee have not yet been identified.

You will seek out individuals to join the selection committee. To ensure that the selection committee members have the appropriate knowledge, cultural competency, and sensibilities suited to review the applications, you will look for selection committee members who are organizers, leaders, and artists involved in social change in C. Committee members will bring a broad range of experiences with community projects, grassroots organizing, and philanthropy. They will also serve as community ambassadors for the program.

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 the grants.

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 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 only covers 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 a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to 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 award 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 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 questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements