

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

**Department of the Treasury**

Number: **202011013**  
Release Date: 3/13/2020

**Date:** December 18, 2019

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**  
W = religion  
X = program  
Y = city  
Z = organization  
b dollars = amounts  
c dollars = amount  
d 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 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**

You will operate an educational grant program called X to provide professional development and educational seminars through a year-long educational program that will equip participants ("Fellows") with the knowledge and skills to become effective members of boards of directors for W not-for-profit organizations in the Y metropolitan area and to enable them to address issues confronting the W future in those roles.

X will be operated by Z, a single-member Limited Liability Company which is wholly owned by you and disregarded for federal income tax purposes. You currently anticipate the program to include -hour educational seminars conducted in the evening at a prominent University in Y as well as an educational weekend retreat at a hotel or convention center. During the seminars and weekend retreat, Fellows will participate in



content-specific coursework and skill-development sessions. Topics covered will include governance, fiduciary duties, meeting facilitation, fundraising, and W perspectives on leadership.

X will be publicized by its program director who will seek nominations of not-for-profit organizations throughout the W community      months prior to the first seminar. You anticipate receiving nominations from various not-for-profit organizations serving all ages and socioeconomic needs while reflecting a diversity of focus, including organizations that operate nationally and locally, new emerging organizations, day schools, day camps, residential camps, and social service organizations. Z and the University will send marketing materials, including a brochure and online application form, to nominated organizations asking them to share the information with board members that they believe would benefit from participation in X so that they may apply. X will then follow up with interested board members to obtain completed applications.

To qualify for a grant, an applicant must be a board member of a not-for-profit organization that is exempt under Section 501(c)(3) of the Internal Revenue Code and is further classified as a public charity with an annual budget between c dollars and d dollars and serving, or under the auspices of, the W community in the Y metropolitan area.

A Selection Committee, composed of members of your staff and staff of the University, who have expertise and experience in governance, leadership, and not-for-profit organizations and their operations, will evaluate applications and interview applicants. The Selection Committee will rate each application and interview using a scoring grid based on objective and non-discriminatory criteria including: Leadership, Values,      , Personal Style & Awareness, Communication Skills, Ability & Willingness to Commit to X, and Organizational Effectiveness. Upon completion of the interviews, the Selection Committee will rank applicants based on the scoring grid and narrow the list to approximately      potential Fellows to be submitted to Z to be invited to participate in X with an additional three applicants to be placed on a waiting list.

Although you may charge Fellows a fee for participating in X, you plan to pay all costs associated with X which is estimated to be approximately b dollars per Fellow and comprised of: an honorarium to presenters, staffing costs, catering, lodging, facility rental, and materials. These costs are expected to be paid directly by Z to the University or service providers.

The X program director will be responsible for supervising the implementation of the program as well as development of curricular materials utilized by the program. Either you or the program director will directly communicate with Fellows to receive feedback regarding X with respect to how the program expenditures are being spent. Z will take any and all reasonable and appropriate steps to compel compliance of use of funds for their intended purposes, including requiring the return of all, or any portion, of funds remitted and the withholding of funds not previously remitted in connection with X. You



will also enter into an agreement with each Fellow setting out the terms of X and the expectation that each Fellow participate in all conferences.

Although you currently plan to conduct X with one cohort of Fellows annually at a University in Y, in the future you may decide to conduct additional cohorts in the same year, potentially in another metropolitan area. However, the operation of X, including the manner in which you select Fellows, will remain the same.

### **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.

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