

**Internal Revenue Service  
P.O. Box 2508, Room 7008  
Cincinnati, OH 45201**

**Department of the Treasury  
Exempt Organizations  
Rulings and Agreements**

Number: 200915051  
Release Date: 4/10/2009

**Date: January 12, 2009**

**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

Legend

UIL #

X = The Foundation  
Y = City  
Z = State  
a = \$ amount #1  
b = \$ amount #2

4945.04-04

Dear \_\_\_\_\_ :

We have considered your request for advance approval of your grant-making program under section 4945(g)(3) of the Internal Revenue Code, dated September 25, 2008.

Our records indicate that the Foundation, X, was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private operating foundation as defined in section 509(a).

Your letter indicates that the Foundation will operate a grant-making program to promote and develop innovative and effective programs for children and youth. Its mission will initially be achieved through a research program designed to identify and develop best practices, and effect strong linkages between research, policy and practice.

The Foundation will provide fellowships to individuals furthering research in the areas of children and youth serving systems in which the foundation has a particular interest. In certain cases, the Foundation will advance its research work by researchers employed by other institutions. In such a case, the Foundation will make a grant or grants to the employer institution in the amount of the fellowship award to be used to further the work of a particular researcher. The fellowships will typically have a dual purpose of furthering academic research to improve social practice and policy and to enhance the training and knowledge of the researcher. The fellows may be academic researchers, practitioners in the field or policy makers with the capacity to undertake the particular research project and bring it to completion. The amount of the awards are expected to

range from a to b annually. The number of fellowship awards that will be made annually is dependent on the budget for each year and is unlikely to exceed three in any year.

In addition to regular meetings with the Executive Director or Program Office, each fellow will be required to submit regular interim reports to the Executive Director and an annual Financial and Narrative Report to the Board of Directors. Continued funding is contingent on Board approval of these reports. Fellows are supported by foundation staff as well as an advisory committee. Frequent meetings between staff and fellows ensure that the work is consistent with funding objectives. Should the conduct of the work under the terms of the award prove to be unsatisfactory based on the interim reports, corrective action would be suggested. Should this persist, funding would be discontinued. In addition, if there is a misuse of funds, the foundation will request repayment of the amount of funds misused. If the amount of funds misused is sufficiently large, the foundation will consider taking legal action to retrieve them.

The grant program will be publicized through direct mail to a large number of direct service nonprofit organizations in the field and departments within public institutions and institutions of higher education. Future announcements will be placed in professional journals and on the organization's website. Each award includes salary (current salary + 5%) and benefits; and a stipend to cover project-related travel and other expenses related to successfully accomplishing fellowship goals.

The selection committee consists of the Foundation staff. Further review will be conducted by outside experts; final approval will be made by the Board of Directors. No individual who is affiliated with or who has worked with an individual being considered for a grant will serve on the selection committee considering a grant to such individual. No member of the Board of Directors who is affiliated with an individual recommended by the selection committee for a grant will vote on or participate in the administration of any grant to such individual. At the request of any member of the Board, such affiliated Director shall leave any meeting for the period of time the Board is discussing the grant. An individual shall be deemed affiliated with a committee member or a Board member if such individual is a spouse, parent, sibling, child or grandchild, or member of the immediate household of such committee member or Board member, or has a material economic relationship with the committee member or Board member.

In addition to candidates' professional and personal characteristics, the Foundation selects fellows based on the quality of proposed ideas, the fit of proposed projects with the Foundation's goals, and the likelihood that the proposed work can be carried out effectively. Specific criteria to be used in judging proposals include:

- Significance
- Effectiveness
- Feasibility
- Innovation
- Multi-Disciplinary Impact/Breadth
- Fit

Candidates must have some connection to Y, the rest of the tri-state area or Z.  
Candidates must apply in partnership with a sponsoring organization that can act as host

organization for the fellow and funded project. The proposal must identify the sponsoring organization, the contact person at the organization and the role the organization will play in the project. The sponsoring organization can be the candidate's current employer or another organization central to the proposed work.

The Foundation agrees that it will maintain indefinitely records that include:

- the information used to evaluate the qualifications of potential grantees, including any recommendations;
- the identification of the grantees, including the determination as to whether a potential grantee has any relationship to the private foundation or is a disqualified person (although a disqualified individual would not be eligible);
- the amount and purpose of each grant, and all requirements imposed on the grantee with respect thereto;
- all grantee reports and other follow-up data obtained in administering the Foundation's grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and

- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

We have not considered whether grants made under your procedures are excludable from the gross income of recipients under section 117(a) of the Code.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements

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