

As a matter of form, the initial screening should be done by one officer who then refers those he considers worthwhile to the directors or some committee of directors who make the final decision on the grant and its terms.

- (6) The person in charge of the grant program notifies the recipient of the acceptance or rejection of his application by letter.
- (7) There should be in addition a follow-up on the grant, a formal closing out of the terms of the grant, and an evaluation of the benefits derived from the foundation's use of its money in this particular instance.

As it was alluded to before, the test of the propriety of a grant is whether it is in furtherance of the foundation's exempt purpose. A child, spouse, or relative of a donor or foundation officer may properly receive such a grant (and, of course, in those cases, adherence to form is more important). With proper planning, the grant may be made in such a way as to result in no taxable income to the recipient. See Section 117, Internal Revenue Code. Of course, since this is a grant rather than an expense account, the complicated rules relative to expense accounts have no application.

Following are some illustrative forms to aid you in developing your foundation's clerical work and necessary language to properly manage your foundation's grant and scholarship program: