

GUIDANCE FOR FOR-PROFIT APPLICANTS TO SYNCUP COLORADO CHALLENGE

Introduction

Zoma Foundation recognizes that, in certain circumstances, working with a for-profit entity may be the most effective means of achieving the Foundation's charitable mission. Because for-profit entities are structured to achieve returns for their owners, there is an inherent tension with charitable organizations (like the Foundation), which are required by the Internal Revenue Service to use their assets to serve the public rather than private interests. To ensure that any funds provided to a for-profit entity primarily furthers charitable purposes and that any private benefit is merely incidental to accomplishing the charitable purposes of the project, a for-profit organization submitting an application for the SyncUp Challenge will be required to address the following:

Charitable Purpose. The activities proposed in your application must clearly support a charitable purpose. The charitable purposes recognized by the IRS include, but are not limited to, (i) the relief of the poor, the distressed, or the underprivileged; (ii) the advancement of education or science; (iii) lessening the burdens of government; and (iv) combating community deterioration. Additional exempt purposes under section 501(c)(3) of the Internal Revenue Code are [here](#).

Examples of charitable purposes may include, but are not limited to:

- Providing educational and vocational training and guidance to non-skilled persons who are unable to find employment or cannot advance from poorly paid employment because of inadequate education.
- Operating community programs that include general counseling services and job training programs
- Developing a curriculum to train individuals for the purpose of improving or developing their capabilities
- Providing instruction to the public on subjects useful to the individual and beneficial to the community

Applicants are encouraged to consult with qualified legal counsel for more information and analysis.

Project Would not Occur but for Foundation's funding. The proposed activities should not be activities that are those ordinarily carried on by a company as part of its standard commercial activities; the activities should be activities that the company would not normally pursue on its own without the Foundation's funding.

Private Benefit must be incidental, not primary purpose. Any private benefit to the for-profit company should be minimized and incidental to accomplishing the charitable purposes. The primary purpose of the project should not be to achieve profit or the creation of a talent pipeline ONLY for the company.

At or Below Cost. To minimize private benefit and indicate charitable intent by the for-profit company, the Foundation will require that the budget expenditures are provided at or below cost. For example, the company would provide its staff time for free or, at a minimum, eliminate any profit margin or overhead built into the cost for an employee's time on the proposed project.

Additional Guardrails. The Foundation may also require additional guardrails to support the charitable intent of the company, including the following:

- *Financial Report Certifications.* With each financial report submitted in connection with the expenditure of the grant funds, an authorized officer of the company will certify that (i) all expenditures have been charged against the grant at the company's actual cost or at below cost; (ii) any and all proceeds arising out of the grant work product shall be expended by the company to support educational and charitable purposes; and (iii) no dividends (special or regular) or other distributions of capital or income will or have been made to your company's shareholders, members, partners or other holders of equity as a result of the Foundation's grant.
- *Use of Intellectual Property/Grant Work Product.* If the grant funds result in the creation of any intellectual property, the Foundation will discuss with the company the use of the intellectual property for public benefit. The approach will depend on the type of intellectual property created and the facts and circumstances involved. The approach may involve an initial use for charitable organizations at no cost; a license to the Foundation to allow the Foundation to use or distribute the intellectual property for public benefit; or a Creative Commons or open-source license.
- *Expenditure Responsibility.* As with any grant to an organization that is not a 501(c)(3) public charity or the equivalent thereof, the Foundation will be required to exercise expenditure responsibility. This includes:
 - Pre-grant inquiry. Through a review of due diligence documents provided, the Foundation must determine that the company can and will carry out the charitable purposes of the grant.
 - Written Grant Agreement. The Foundation and the grantee must enter into a written grant agreement that requires:
 - An articulation of the charitable purposes of the grant;
 - A segregation of the charitable grant funds from the company's other funds;
 - Representations that the company will not:
 - use the funds for lobbying or to engage in political activity (as such terms are defined by the IRS);
 - make grants to individuals; or
 - use the funds for any purposes that are not charitable;
 - A right for the Foundation to seek repayment or a return of any funds not used for charitable purposes and to terminate the grant if the Foundation determines the grantee is unable to accomplish the charitable purposes of the grant.
 - The submission by the company of annual narrative and financial reports; and
 - The submission of a final narrative and financial report.