

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

Department of the Treasury

Date: March 12, 2019

Employer Identification Number:

Number: **201923029**
Release Date: 6/7/2019

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

Y = State
z dollars = Amount

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

Your letter indicates that you will operate an educational grant program. The purpose of your grant making program is to provide fellowship grants to encourage the development of innovative ideas that further your charitable mission of improving the quality of life for persons in the State of Y. You will do this by providing financial aid and other support to young innovators and leaders in the State of Y.

Initially, you anticipate awarding five fellowships per year during a trial period of three to five years. At the end of the trial period, you will evaluate whether to increase or decrease the number of fellowship grants to be awarded, based upon the number of applications received, the quality of the work produced by fellows, and other factors related to the overall success of your program.

Each fellow will receive a stipend of z dollars, payable over the course of the fellowship period. In addition to the monetary stipend, you will provide fellowship recipients with support services which may include one-on-one coaching, meetings with other fellows and thought leaders, and skills training. If intellectual property will be created as a part of

the fellowship, you will negotiate an intellectual property agreement with the prospective fellow. You will not award loans.

You will publicize your fellowship program on your website and social media platforms, as well as through a printed brochure which you will distribute broadly through your network of charitable and civic organizations in the State of Y. You will encourage people from all parts of the State of Y to apply, including people of color, women, LGBTQ persons, and immigrants, so that each cohort of fellows has the potential to reflect the diversity and changing demographics of the State of Y.

You have selected the following criteria for your program:

- Applicants must be between the ages of 21 to 35 at the time of the application deadline
- Applicants must be a resident of the State of Y as of the application deadline
- Applicants must be able to commit significant time to their fellowship project over 12 months
- Applicants must participate in three cohort convenings/seminars held in different sites over the 12 months of the program
- Applicants must propose ideas that have an anticipated public benefit for persons in the State of Y and describe how their proposal may benefit persons in the State of Y, and
- Applicant's proposal must reflect one or more of your core values, which include fairness, dignity, integrity, and equity.

Your employees, officers, directors, members of the selection committee, and the relatives of all these individuals, as well as "government officials" (as defined in Section 4946 of the Code) will not be eligible to receive fellowships as part of your program.

Your fellowship recipients will be selected by a committee appointed by your Board of Trustees. Members of your selection committee may include your directors and employees as well as community and civic leaders from across the State of Y.

You will not impose any subject-matter, field of interest, or similar restrictions on the work to be performed by recipients of fellowships, except that the fellows' work must be consistent with your mission and core values, which include fairness, dignity, integrity and equity. You expect the range of projects will include artistic endeavors, technological innovations, public/private/nonprofit sector initiatives, community-based projects, efforts to improve racial equity and beyond. Your selection decision will focus primarily on the promise of the applicant's ideas for improving the lives of those in the State of Y and the quality of the applicant's proposed plan of work for their fellowship terms as described in their written application.

You will consider the following factors in your selection process:

- Preference is given to projects that have moved beyond an initial idea and have some momentum

- Consideration is given to the diversity of the cohort - you encourage people of color, women, LGBTQ persons, and rural residents to apply
- Consideration is given to the geographic representation of fellows across the State of Y
- Consideration is given to the diversity of project ideas when selecting fellows, and
- Consideration of whether the project furthers your core values - your selection committee derives information from the application and interview process.

The fellowship term will last 12 to 18 months. At the conclusion of the fellowship term, fellows will be required to submit a written report describing the work performed and results achieved during the fellowship term. You will also have regular communication and contacts with your fellows throughout the fellowship which may include formal meetings, training sessions, and in-formal "check-ins." All fellows will complete a report at the 12-month mark regardless of the length of the fellowship.

You will review all interim and final reports submitted by fellows and will take appropriate actions. You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the 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 described above.

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.

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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements