

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

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

X = geographic region
Y = name of program
Z = county
w = \$amount of grant

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 October 18, 2011.

Our records indicate that you were recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

You indicate that you will operate a grant-making program called Y.

Y was established to strengthen the capacities of participants, help broaden their vision, and open new networks that can ultimately provide the necessary relationships to enable participants to be more effective in their work in local communities.

The skills and capacities that your program aims to develop in participants include: (i) building self-knowledge, individual empowerment and self esteem; (ii) fostering critical analysis, problem-solving and project management capacities; (iii) developing skills in communication, negotiation, consensus and partnership building, and conflict and change management; (iv) developing community engagement and purpose-driven networking; and (v) building awareness to indigenous cultures and rural community development best practices.

Your program's objective is to impart these skills in participants through a combination of facilitated discussions and sessions. These sessions will allow participants to cover different approaches to improving living conditions in poor rural areas, exchange points of view with experts and local leaders based on their own experiences, and partake in team-building activities where participants

become team-minded and learn how to form teams back in their own organizations and communities.

You are launching your program in Z. The program may be replicated in other countries where you make grants. Overall, your program's sessions will take place over a period of up to 12 months. More specifically, your program structure will include:

- Approximately eight sessions, each occurring in different locations within the country (originally Z) where the program takes place. Each session will last on average four days, including time spent travelling primarily to rural locations. In each session, time is divided into facilitated discussions (25% of the time), field visits for peer learning on best practices (25% of the time), dialogues with experts and leaders from different sectors (25% of the time), and team-building activities (25% of the time).
- One or two international trips, each lasting approximately 7 to 9 days (including travel time). These trips will also include discussion sessions, field visits and classes. The participants' time on these trips will be divided roughly along the categories mentioned in the previous paragraph.

You plan to enter into a contractual relationship with a third party consulting firm to design, implement, and manage the program. The consultant will coordinate all aspects of the learning modules to include securing speakers, arranging travel, arranging locations for the program session, etc.

Your program each year is expected to include about 20 to 30 participants for each country involved in your program (with Z being the first country involved). The number of participants may vary year to year and will increase for example if countries in addition to Z are involved in your program in the future. Your program will cover the travel costs of participants to attend your program sessions and trips described above (estimates are at about \$w per participant at current rates). No stipend or other additional compensation is planned to be paid to participants under your program.

Your program is open to all individuals who meet the basic eligibility requirements. The potential applicant pool is diverse and open-ended. For each country involved in your program (beginning with Z), your objective is to attract as broad a group of applicants as possible who meet your program criteria (while recognizing that many of the targeted regions in a particular country are rural and small). Your program candidates are expected to be evaluated against the following criteria:

- They should be young and/or developing leaders between 20 and 30 years of age.
- They should be from the social, public, and private sectors and capable of effecting change in the community.

- They should currently be engaged, and have plans to continue working, in community development, or other community work in rural areas, preferably with native populations.
- They should be in a leadership position with an organization serving the community or the potential to be in such a position in the near future.
- They should preferably be living or working in the micro-regions where you make your grants. These areas are typically among the poorest regions in Z (and other countries where you make grants).

Your program aims to identify candidates through a nomination process where public and private organizations (including, for example, non-profit organizations, academic institutions, companies, and government units) can present the candidacy of qualified individuals who will have institutional support during and following your program. The call for nominations for candidates will be distributed widely among your network of grantees and associated organizations. Your program will also be publicized on your web-site and throughout local philanthropic sector networks, and also in local newspapers within the specific geographic areas in which you work.

The application will involve submission of the following documents and information:

- A “nomination letter” completed by an institution with which the candidate is affiliated. The letter should express why the institution supports the candidate’s application, the benefit your program will bring to the candidate, and the expected impact on the institution’s work and the community that your program will have. The institution should also confirm that the candidate has the flexibility to participate in your program sessions;
- A candidate resume including general data (age, gender, etc.), education and professional affiliations;
- A candidate essay explaining his/her interest and motivations, qualifications and commitment; and
- A second essay explaining where the candidate expects to be in 5 years and how the candidate expects to be contributing to the community in the future.

Family members of individuals serving on the selection committee or of persons otherwise involved in the selection process will not be eligible to participate in your program. Relatives of your officers, directors, and substantial contributors also are not eligible.

Your program will be open to individuals of all races, ethnic origins, colors, genders and religions. You hope the program will attract a solid presence of participants from indigenous/native origins, due to their connection to the work you do in impoverished communities, and because indigenous, native communities have been traditionally disadvantaged.

A team of consultants familiar with your work in the X region will prescreen all the nominations to ensure there is a match with the publicly-described criteria. This team will then present a group of candidates (currently estimated to be about 40 to 50 candidates for Z) to a program selection committee for further review.

You currently anticipate that the selection committee will consist of your program supervisor, two of your staff members, two representatives from your previous leadership programs in X region, and two leadership development experts with a proven track record in selection processes.

The selection committee members will be required to disclose any affiliations with potential program candidates. A committee member cannot participate in the selection process if he or she, serves as an employee or Board member of a sponsoring organization that is nominating candidates for the program.

Selection committee members are expected to review the submitted written materials and interview each candidate (with the committee breaking into smaller groups to conduct interviews). After the interviews, the entire selection committee will meet, compare data, and make the final selection.

The selection committee will evaluate candidates based on the following criteria:

- Prospective Statement (essay explaining where the candidate sees himself/herself in 5 years and how the candidate expects to contribute to the community) – 20%.
- Personal Statement (two-page essay explaining his/her interest, motivations, qualifications, and commitment) – 20%.
- Letters of Recommendation – 20%.
- Interview – 40%.

Candidates will be reimbursed for travel expenses to participate in the selection process for the program.

You do not plan to pay the individual grants to the program participants or their sponsoring organizations. Once a candidate has been chosen to participate in the Program, the third party consultant will pay all the travel expenses directly to the hotel, airlines, and other service providers. No stipend or other compensation will be paid to the participants. The third party consultant will submit invoices and documentation to you in support of reimbursement.

You will track the participation and progress of each participant throughout the program's duration as follows:

- Ensuring attendance of each participant at the sessions and on the trips;
- Requiring that each participant write his/her own development goals for the program at the beginning, and also write two essays (one in the middle and one at the end of the program) on how those goals are progressing; and
- Tracking each participant's performance one year after the program's completion. This will likely be done by a discussion between the participant and your program supervisor or a staff member.

Your program supervisor will oversee the participation and progress of participants throughout the program's duration. Each participant will also have the opportunity to select a "mentor" for guidance and consultation during your program. Mentors are expected to be individuals who have participated in one of your former leadership programs.

Participants are expected to participate in all the sessions. For a showing of justifiable cause (e.g., a personal or family emergency, or a community emergency), they will be allowed to miss a maximum of 2 sessions or 20% of the total program days. If they miss any session without justifiable cause, they will be dismissed from the program.

Along with the interim, final reports/essays, and discussions with the program supervisor and your staff, participants will be asked to prepare a 5-year work plan to be discussed with the full program group in the last session of the program. It is hoped that this work plan will serve as a guidepost for each participant's future work in the community.

In the event that a participant drops out or is dismissed from the program, all payments for or on behalf of the participant will promptly cease. Neither the participant nor his/her sponsoring organization will be asked to reimburse you for any money paid on behalf of the participant.

If you ever discover a misuse of program award funds, you would actively pursue the return of those funds and would immediately withhold all future payments until the matter is satisfactorily resolved.

Since the program is for one year and it is your intent to select new fellows each year, participants will not be allowed to renew or extend their fellowship.

You indicated that you will check program participants and all organizations receiving payments under the program against the OFAC list and will otherwise follow the guidelines on checking foreign organizations and individuals in accordance with the Treasury Department guidelines.

You agree to maintain records that include the following:

- (i) Information used to evaluate the qualification of potential grantees;
- (ii) Identification of the grantees (including any relationship of any grantee to the private foundation);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering the private 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(k)(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,

Lois G. Lerner
Director, Exempt Organizations

Enclosures:
Notice 437
A copy of the redacted letter