

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

**Department of the Treasury**

Number: **201622034**  
Release Date: 5/13/2016

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: March 3, 2016**

LEGEND

UIL: 4945.04-04

X = Program  
Y = LLC  
Z = Website  
r = Dollar range  
s = Number

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 called the X Program.

Your purpose is to establish the X Program ("Program") to provide fellowships and awards to individuals who have the potential to be catalysts for change in the future.

The Program will be funded and administered through your wholly owned limited liability company, Y.

The Program will provide the means and opportunity for young individuals to have an experience of deep study, reflection, and practical development, incorporating the principles of X. A central

component of the Program will be the exploration of how X values can be implemented into projects that can create lasting change.

The Program consists of educational retreat sessions during which time participants will be required to develop a project or initiative idea as an example of how their learning can be applied in practice.

There are two types of grants being offered under the Program: (1) fellowships and (2) awards. Fellowship enables participation in the Program at no cost. At the end of the Program, the fellows are invited to apply for an Award to support development of their project or initiative.

The amount of each fellowship will be equal to the cost of tuition, travel, room and board for each fellow participating in the Program.

The Program will be publicized through website Z. You will coordinate with other organizations to promote the values of X to publicize the Program. In addition, you expect public awareness of the Program will increase through word of mouth.

In order to be eligible for the Program, the candidate must: (i) be young adults, preferably between the ages of 22-30 although exceptions can be made; (ii) be a citizen or permanent resident of the United States or Canada; and (iii) be able to commit to attend all educational retreat sessions during the 9-month fellowship. Family members of the Foundation Board of Directors, employees of the Foundation and persons serving on the selection committee are not eligible to be considered for the Program.

In addition to ensuring candidates meets the age, citizenship and commitment requirements, you will evaluate the each applicant to determine:

- (i) Interest in X;
- (ii) Interest in the Program;
- (iii) Commitment to public service;
- (iv) Leadership qualities and experience; and
- (v) Project idea.

Members of the selection committee for both fellowships and awards are appointed by your Board of Directors. The selection committee currently consists of two persons who were instrumental in creating and providing over site of the X program.

Fellowship program costs, including the costs of instructors, room and board, are paid directly. Travel costs to seminars will be paid directly to purchase travel tickets or reimbursed subject to proof of payment and attendance at each seminar.

You will support S fellowships each year, and the number of Awards made annually will depend on the number of fellows that submit a compelling application.

The amount of each fellowship will be equal to the cost of tuition, travel, room and board for each fellow participating in the Program. Program costs, including the costs of instructors, room and

board, are paid for directly by you. Travel costs to seminars will be paid directly to purchase travel tickets or reimbursed by you subject to proof of payment and attendance at each seminar.

The award amounts will vary depending on the nature of the project and are expected to be between r per award. The exact amount will be determined based on projected expenses, including required materials and time to implementation, among other things.

The award amount will be between \$r depending on the nature of the project. The award recipient will be required to sign a grant agreement limiting their use of the award fund for the specified project. In the event the award is paid out in multiple installments, the recipient will be required to provide substantiation that the funds have been used for the specified project, through receipts and invoices, prior to disbursement of additional award installments.

Each award recipient is required to submit a report on their use of the funds, including applicable receipts and invoices for expenses incurred. In the event the award recipient does not use the funds for the specified charitable purposes, you will seek repayment of the award funds from the recipient.

The selection committee for both fellowships and awards granted under the Program are two people who were instrumental in creating the Program and will be actively involved in overseeing the Program. Members of the selection committee are appointed by the Board of Directors of the Foundation.

#### **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,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements