

**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 = Name
Y = Name
Z = Name
n = Numbers
p = Number
q = Number
r = Number
t = Numbers
u dollars = Amount

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g)(1) and 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 scholarship grants under Internal Revenue Code Section 4945(g)(1). We also determined your procedures for awarding educational grants meet the requirements of Code Section 4945(g)(3). Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarship and educational grants meet the requirements of Code Sections 4945(g)(1) and 4945(g)(3), respectively. As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under Code Section 4945(g)(1) are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code Section 117(b)).

Description of your request

Your letter indicates you are seeking advance approval for grant procedures which will be initially implemented for a grant program named X.

The goal of X is to increase the opportunity for exceptional young people worldwide to serve others throughout their lives and to build a diverse and inclusive cohort that reflects a broad range of experiences, backgrounds, passions and talents. Specifically, X will identify top leadership talent among skilled teenagers between the ages of n from around the world through an annual global competition.

Winners of the competition will become part of Y, which will continue to grow over time, and is a key component of X. Individuals will be able to learn and share ideas with others within Y throughout their lives that will allow them to improve their own skills and talents to help them serve the public. Winners will also be invited to attend a residential program, the initial component of X, the summer before their final year of high school.

The curriculum of the residential program will be designed to foster cross-cultural connections among grantees and to develop each grantee's individual talents and skills. The residential program will also provide the grantees with tools to enable them to effectively serve others, how to become leaders and how to transition to higher education and careers. Upon successful completion of the residential program, they will be eligible for future grants toward improving their capacity, skill, or talent and/or scholarships to attend a qualified educational institution which will be administered under similar procedures. They may also receive mentoring, and other assistance tailored to their specific needs and interests as well as a variety of career services.

To promote X, you will conduct a global campaign to reach academically high-performing youth to ensure that there is outreach to geographically isolated individuals, individuals who do not perform well in traditional assessment settings, and individuals who exhibit vast leadership potential through family or community involvement. You will also involve teachers, counselors, faith-based leaders, and youth-based organizations around the world in your campaign.

Further, you will work with your partner, Z, an IRC Section 501(c)(3) public charity, and Y to identify individuals around the world to encourage them to apply to X. You will also send individuals to visit a number of geographies to personally meet with local leaders who will help spread the word as well as issue press releases, editorials, and other public notices concerning X. Your aim in these promotional efforts is to achieve p applicants

You will require applications for your programs. These will require applicants to provide pertinent information related to the particular program's purposes. To

select recipients of X, a committee composed of your representatives and partner programs, as well as community leaders from diverse backgrounds and disciplines will select recipients of X using objective, culturally sensitive evaluation methods that account for differences in available resources to identify the applicants with highest potential. Because the program is aimed at improving the applicant's skills in a variety of different disciplines, you plan to focus on assessments that test intelligence broadly, and not only on quantitative skills or on particular areas of study. In addition to selecting candidates on a nondiscriminatory basis, you plan to combat other biases that impact leadership opportunities, such as testing bias. In order to reduce testing bias, you plan to use multiple qualifying tests and allow applicants to submit any or all of them as an assessment score.

Specifically for X, you plan to use multiple rounds of assessment to identify raw talent in various disciplines, and leadership skills that indicate a lifetime commitment of support and service to others. The first round of evaluation will involve an assessment process by testing and/or essays. Out of the initial round, you plan to select q applicants for the next round of the assessment, which will be composed of an initial interview or activity that will identify candidates with the targeted qualitative attributes for X such as persistence, vision, and interest in serving others. You plan to use peer or group interviews, and/or a team which will conduct a task-based assessment to evaluate the teamwork capabilities of the applicants.

You also plan to conduct a final round evaluating approximately r of the applicants based on in-person interviews, with a panel interview and an observable test component. The final potential grantees will represent geographic diversity with a conscious effort to select awardees from globally underrepresented regions with a need for the leadership training that X provides in the initial grant, and later opportunities that the grantees will apply for under similar procedures. For X, you will require each recipient, or the recipient's legal guardian if required under law, to sign a grant agreement before any funds are disbursed.

You hope to award in the range of t annual grants for X, while the amount of any individual grant for X will be whatever the costs are for the grantee to fully participate in the residential program for their respective year. Additionally, the total grant funds used for X is estimated to be approximately u dollars per year initially, with the expectation that the amount of grant funds will grow in future years.

You will assess the grantee's participation in the residential program. Such assessment may include a report or interview that assesses the grantee's advancement towards improving their capacity, skill, or talent. Any future grants to participants of X will have a similar annual report required that, depending on the purpose of the future grant, assesses either (a) the participant's advancement

towards improving their capacity, skill, or talent or (b) the charitable nature of an individual's project being funded.

With respect to any scholarship or fellowship grants that are awarded to the participants of the residential program, you will require the grantee to provide a transcript from the academic institution listing the courses taken (if any) and grades received (if any) during each academic period for the year in which the grant was made. If the grant is provided for multiple years of study, then the grantee will be required to provide such transcripts at least once per year. If the grantee's course of study does not involve coursework, but only the preparation of research papers or projects, such as the writing of a doctoral thesis, you will require the grantee to submit a report on the progress of the paper or project at least once per year and submit a final report upon completion of the grantee's studies.

You will follow the progress of the individual grants, including reviewing each report and making a determination as to whether the grant purposes are being or have been fulfilled, and to look into any questions requiring further scrutiny or investigation.

Where reports or other information (including failure to submit reports after a reasonable time has elapsed from their due date) indicates that all or any part of grant funds are not being used for their intended purposes, you will investigate. While conducting the investigation, you will withhold further payments to the extent possible until it has been determined that no part of the grant has been used for improper purposes, and until any delinquent reports have been submitted.

In addition, if you determine that any part of the grant has been used for improper purposes and the grantee has not previously diverted grant funds to any use not in furtherance of a purpose specified in the grant, you will withhold further payments for the particular grant until (1) you have received the grantee's assurances that future diversions will not occur, (2) any delinquent reports have been submitted, and (3) you have required the grantee to take extraordinary precaution to prevent future diversions from occurring. If you determine that any part of the grant has been used for improper purposes and the grantee has previously diverted your grant funds, you will withhold further payment until the three conditions of the preceding sentence are met and the diverted funds are in fact recovered or restored.

You will maintain case histories and document recipients of grants, including names, addresses, amounts and number of grants, purpose of grants, manner of selection and proof that they were not related to officers, trustees or donors.

In making any grants internationally, you will take the following steps to comply with the rules and regulations issued by the United States Treasury Department's Office of Foreign Assets Control (OFAC):

- Check the OFAC List of Specially Designated Nationals and Blocked Persons and avoid dealing with individuals, organizations, and entities on the list;
- Specifically prohibit diversion of charitable assets to support terrorism or other noncharitable purposes in grant agreements with grantees;
- Not make grants to individuals if doubts exist that the grantee will use the funds for the charitable purposes described in the grant agreement;
- Comply with all United States statutes, executive orders, and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC.
- Acquire from OFAC the appropriate license and registration where necessary.

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 representatives 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