

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

Department of the Treasury

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Release Date: 7/9/2021

Employer Identification Number:

Date: April 15, 2021

Contact person - ID number:

Contact telephone number:

UIL: 4945.04-04

LEGEND:

C = geographic region

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

You will operate a _____-year fellowship program for promising individuals who wish to achieve a specific charitable objective, to be proposed by the potential recipients. The purpose of your program is to empower leaders and innovators in the charitable world to pursue their charitable endeavors. The fellowships will be awarded on an objective and non-discriminatory basis.

You will consider a range of potential fellowship proposals, focusing on those that seek to address disadvantages experienced by those living in historically disenfranchised communities. Initially, you plan to award one to two fellowships annually. You will administer your program in the C, while you anticipate potential fellows may come from other parts of the United States.

You will publicize your fellowship program through outreach to your partners, encouraging them to nominate or to advertise your program. You will promote the program at various events related to your mission.

To be eligible for an award the applicant must:

- Submit a detailed proposal describing the specific charitable project, report or experience of the candidates undertaking
- Provide a reference from an unrelated individual working or otherwise involved with the charitable field or objective of the candidate, describing the candidate, the candidate's achievements and the candidate's abilities or promise with respect to charitable service
- If applicable, provide examples of academic or professional work in the area of charitable work to which the project applies

In addition, your selection committee will conduct an interview of the candidate before awarding the fellowship. You will take into account the following criteria:

- The strength of the candidate's proposal, including the charitable objective and anticipated outcomes
- The candidate's past experiences in the area of charitable interest, if any
- The strength of the candidate's recommendations, and their relevance to the candidate's proposal
- Examples of academic or professional work in the area of charitable work to which the project applies
- Conclusions that your committee may draw, from interviews or otherwise, about the candidate's motivation, character, ability and interest in charitable pursuits and engagement

Your selection committee will be comprised of your trustees, and one or more individuals affiliated with charities supported by you or otherwise operating in areas consistent with your mission. No person who is a trustee, a member of the committee, or a "disqualified person" or relative of any of the foregoing, shall be eligible the fellowship.

Fellowships will be paid directly to the recipient or at the trustee's election to one or more third parties for the benefit of the recipient.

You will require each fellow submit reports describing how funds were used to achieve their charitable objective and further your mission. You will investigate any diversion of funds if and when you become aware of such activities.

You will take all reasonable and appropriate steps to recover any diverted funds, and maintain all records relating to individual grants.

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.

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