



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date:
05/15/2023
Taxpayer ID number:

Person to contact:

Number: **202332021**
Release Date: 8/11/2023

LEGEND

B = Name of Fellowship
C = Name of Fellowship
D = Name of Fellowship
E = group
y dollars = amount

UIL: 4945.04-04

Dear _____ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code (IRC) Section 4945(g)(3).

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

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 IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate three fellowship programs as part of your mission to improve the mental health and well-being of teens and young adults. You will widely publicize the fellowships availability on your website, _____, and other trade publications and sites that pertain to the focus of the fellowship programs. You plan to select one recipient per year for each of the fellowships but not every fellowship will be offered every year, depending on your program needs, available staffing, and mentor ship resources. Each fellowship program runs for six months and each fellow receives a stipend of y dollars. The stipend will be disbursed in equal payments. Fellowship stipend amounts may be adjusted from time to time according to inflation, the nature of the program and its objectives, future program requirements, funding availability, and other relevant factors. Fellowships are an one-time, six month long program and will not be renewed except in extremely rare cases for extenuating circumstances You may also develop additional fellowship programs which will follow substantially similar procedures to this request.

Applicants are required to submit a fellowship application including CV/resume and written responses to questions regarding their skills and background, specific proposals to address unmet mental health needs, and other questions related to the specific fellowship program. D applicants are also required to produce a short video, designed for non-experts, to share a data science-informed technique that the applicant believes would be useful for learning about and improving youth health. The semi-finalists of C are invited to submit a brief video proposal. You will conduct in-person or video interviews of applicants.

Fellowship Program B:

The purpose of B is to support social entrepreneurs who are pursuing a venture to measurably improve the mental health of teens and young adults. You will select a fellow that presents a scalable solution to an unmet mental health need of US-based teens and young adults, particularly those from E and other under-invested communities. The solution will need to be scalable to at least tens of thousands of young people. The fellow will receive advising and support from your CEO and Head of External Investments, as well as other advisers (research, design, and strategy). In addition, the fellow will receive access to your professional networks of leaders in the health care and social innovation spaces, including potential investors, customers, and talent, to support the fellow's work after the fellowship ends.

Candidates for B must demonstrate:

- a. Previous entrepreneurial experience including designing and launching an initiative, product, or business (nonprofit or for-profit),
- b. Ability to communicate effectively with and influence leaders,
- c. Commitment to innovation, validation, research, and evaluation of the proposed solution to unmet health needs,
- d. Experience working with youth from E and other under invested communities, and
- e. Ability to work independently and proactively seeking input and support where needed.

Fellowship program C:

The purpose of C is to support design professionals who are pursuing an equitable design practice to improve the health of teens and young adults from E and other under invested communities. You will select a fellow who is questioning traditional human-centered design methodologies and wanting to put into practice more equitable ways of creating change in the world. The fellow will have the opportunity to experiment with new approaches in a collaborative and supportive environment with plentiful space, resources, time, and access to your team to continue developing the fellow's proposed design solution.

Candidates for C must demonstrate:

- a. An active and thoughtful design practice,
- b. Previous design experience including designing and executing an initiative, product, or program, from design research to prototyping and scale (and actively questioning that process), and
- c. Commitment to collaboration and sharing practices.

Fellowship program D:

The purpose of D is to support early-career data scientists who are launching a new independent project/study focused on improving the health and well-being of teens and young adults in the US. This includes developing hypotheses and methods, executing the project, analyzing the findings, and sharing a write-up of key learnings that many include academic journal submission. The fellow will also bring their skills in machine learning, data science, and artificial intelligence to advise and enhance your existing research projects. The fellow will receive advising and support from your Research Department, as well as other advisers (research, design, and strategy). In addition, the fellow will receive access to your professional networks of leaders in the behavioral science, design, health care, and social innovation spaces to support the fellow's work after the fellowship ends.

Candidates for D must be early-career data scientists (e.g. recent PhD graduate, postdoc, junior faculty) with a PhD in a relevant quantitative/computational field (including computer science and machine learning, statistics, math, physical sciences and engineering, social sciences, or public health and public policy) and demonstrate:

- a. Experience developing, launching, and sharing the results of independent project(s),
- b. An ability to advise non-experts on how to integrate data science into their work,
- c. Passionate about the potential of data science to transform health and well-being outcomes for young people, and
- d. An ability to transform large and messy datasets into insights, effectively communicate their process and insights to technical and non-technical audiences and demonstrate significant health impact.

You will select fellows based on the quality of the applications, video proposals, interviews, and the feasibility of the proposed fellowship and its alignment with your mission. Applicants are evaluated on the basis of criteria reasonably related to the purposes of the fellowship program and you will weight each criteria equally.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and ensure other grant funds held by a 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 diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify a grantee is a disqualified person,
- Establish the amount and purpose of each grant, and
- Establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. 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 the following requirements of IRC Section 4945(g) is not a taxable expenditure.

- The foundation awards the grants 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of IRC 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 Regulation 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 only covers 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 a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the IRS at:

Internal Revenue Service
Exempt Organizations Determinations
TE/GE Stop 31A Team 105
P.O. Box 12192
Covington, KY 41012-0192

- You can't award 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 further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with IRC 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'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed Letter 437, Notice of Intention to Disclose - Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

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 questions, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437