



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

Date: 03/21/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: 202224016

Release Date: 6/17/2022

LEGEND

U11: 4945.04-04

B = Program name

C = Number range

D = Number

x dollars = Amount

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 a grant program called B.

The purpose of your grant program is to provide leadership training and funding to support the development of innovative new non-profit leaders who are dedicated to effective social change and social justice. The non-profit leaders are referred to as fellows.

You intend to provide in the range of C fellowships every two years and the awards are not renewable. You will provide x dollars in training and funding per fellowship over a period of three years. This amount will include general operating support to a charitable organization and a series of convenings and training opportunities to be attended by the fellow. The program will provide fellows and their charitable organizations with the tools and resources to strengthen their impact in the communities they serve. The charitable organization receiving the grants will be chosen in part due to the quality and potential of their leaders.

You will publicize your program via direct outreach, meetings, newsletter/outreach materials, and word of mouth. You intend to require applicants be nominated by an evolving network of nearly 100 talent scouts. The talent scouts are community leaders with relevant experience to the goal of the grants and who work across the United States. Each talent scout will be permitted to nominate up to three people who are working in an innovative manner to impact in their communities through leadership of a non-profit organization.

You will accept applications for grants directly from eligible charitable organizations. Each grantee applicant must provide a detailed description of its charitable and operational goals, and how its potential fellowship candidate will benefit from the leadership and training programs

Selection criteria will include consideration of the following factors:

- The viability of an organization's capacity to develop and implement innovating approaches to improve its community
- The fundraising needs of the organization to fulfill its charitable purpose
- The capacity of the organization's leaders to advance social change and their interest in developing strategic approaches to changemaking and philanthropy, including demonstrating leadership skills and strong community ties

Your selection committee will be comprised of your trustees. Selection may be a multi-step process depending on the grantee's mission and operations, but all grants will be subjected to final approval by the trustees. You may interview the applicants or ask for additional information following the initial review process. Your selection committee may call on external experts as needed. Your trustees may also delegate the initial selection process to a selection body of qualified individuals who will review and select finalists.

The recipient organizations will be required to provide periodic and final written reports to you detailing what was accomplished. You may also request reports from fellows on their experience engaging with fellows at other recipient organizations.

Fellows may not be disqualified persons with respect to you. In addition, fellows may not be related to any member of selection committee or to your any officer, director, or substantial contributor. Your selection would not result in private benefit to any of your officer, director, or substantial contributor.

You intend to make the fellowships available to domestic entities initially. In the future, when you make the fellowships available to organizations in foreign countries, you will comply with applicable laws and OFAC requirements.

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

cc: