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

Date:
05/14/2025
Taxpayer ID number:

Person to contact:

Release Number: 202532018
Release Date: 8/8/2025

LEGEND
B = number range
C = entities
D = number
E = number
F = social identities
G = social identities
H = number range
x dollars = dollar amount range
y dollars = dollar amount
z dollars = dollar 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 two grantmaking programs. The purpose of your first program is to provide funds to qualified recipients for travel and learning grants. Your second program will provide funding for mental health fellowships and mental health research grants.

Program One
You plan to provide travel and learning grants to enable individuals to participate in convenings, exchanges, education, learning, and research on topics related to the improvement of youth mental health and well-being. You host, co-host, and attend various events, meetings, and convenings in furtherance of your charitable purposes. For example, you, on your own and working with partners, host conferences to bring together academics, researchers, entrepreneurs, and young people focused on youth mental health and well-being for them to collaborate and share learnings with the goal of improving youth mental health and well-being.

You plan to present awards to researchers, youth, or other individuals who have contributed significantly to supporting youth mental health and well-being and you may host awards ceremonies to celebrate these honorees or honor these individuals as part of a partner's event. To facilitate participation in these events, you plan to provide travel stipends or reimbursement of travel costs to enable individuals to attend. You also plan to pay travel expenses for honorees to attend awards ceremonies. These grants will support individuals' participation in these activities as well as in events or activities not affiliated with you but related to your work of improving youth mental health and well-being.

You anticipate these grants will be worth x dollars and not renewable. You anticipate awarding between B travel and learning grants per year.

Eligibility criteria for these grants will be based on the relevant event or purpose of the travel. For events focused on researchers, attendees will need to have certain research or subject matter expertise to qualify. For convenings of youth, you will evaluate eligibility based on age and demonstrated interest in participating in the event. You will also select a portion of grant recipients from individuals who have participated in some way in your youth-related programming.

The criteria to select recipients for these grants will be based on relevant experience or demonstrated interest in participating in a particular event. For travel funding for award recipients, eligibility will be based on an individual status honoree.

The requirements and conditions of these grants will be determined based on the specifics of each event. Recipients will be required to attend and fully participate in the events for which they receive funding. In some cases, you may request receipts to document expenses.

The selection committee for these grants will generally consist of your staff members with greatest familiarity with the relevant event. If an event is held in partnership with another organization, the partner organization may participate in selected recipients of travel grants.

Program Two
You plan to award mental health fellowships and mental health research grants on topics related to youth mental health and well-being in furtherance of your charitable purposes. For example, in connection with your strategic work around black youth mental health, you plan to award mental health fellowships for faculty at C to bridge the gap between research on black youth well-being and opportunities to translate that research into practice, product, or policy. Selected fellows will receive y dollars for a 9-month fellowship. You anticipate awarding approximately D fellowships annually for at least two years.

You will also award mental health research grants to researchers to conduct work on topics related to your mission of supporting youth mental health and well-being. For example, you plan to award E grants in the amount of z dollars each to early-career academic researchers who have up to five years postdoctoral experience for projects that use your survey data to study teen and young adult mental health and well-being with a focus on F and G young people.

You plan to award a total of H mental health fellowships and mental health research grants per year. You anticipate that these grants will be awarded on a one-time basis; however, you may establish renewal procedures if you determine that purposes of the grant will be furthered by renewal.

The eligibility criteria for these fellowships and research grants will be based on the specific topic of the fellowship or grant program. In the case of research grants involving your survey data, early-career researchers that have up to five years of postdoctoral experience and certain data research experience will be eligible to apply. In the case of the fellowships, faculty at C will be eligible to apply. In all cases, eligibility will be based on the objectives of the grant or fellowship. You will target the broadest applicant group possible with the understanding that certain programs may be designed to reach a more narrowly defined charitable class or apply to individuals with a specific skill set.

You will publicize your program to potential applicants using means designed to reach the most qualified applicants. You will publish grant opportunities on your website as well as conduct outreach to universities or other programs where you are likely to reach qualified candidates. You will require candidates to submit applications containing information relevant to the topic of the fellowship or grant, such as:

- a biographical summary,
- a detailed statement of the proposed course of study or research,
- letters of reference,
- academic records, or
- lists of publications.

On occasion, you may request applications from specific individuals in the case where you become aware of specific individuals who are exceptionally qualified to carry out the charitable, educational, or other tax-exempt purposes of a grant program, or it is otherwise evident that a particular individual will effectuate the exempt purpose of the grant.

In all circumstances, you will ensure that the application process and the use of funds by individual grant recipients fulfill your charitable purposes, and that grants are made on an objective and nondiscriminatory basis.

Your selection criteria will include the quality of the proposal, credentials of the potential grantee, and/or the relationship of the proposal to your charitable programs, projects, or areas of concerns. You will also consider each grant's priority in relation to other demands on your funds.

Selections will be made by your program staff overseeing the grant program with input from any partner program assisting with the program design and administration. You may also decide to create an independent selection committee to nominate or select recipients, particularly if the topic of the grant involves specialized knowledge or expertise. Disqualified persons, including your officers, directors, and their family members will not be eligible to receive individual grants from you nor will members of the selection committee or their families. The selection committee for research grants involving survey data will include staff members who are familiar with the information and/or other individuals with data research expertise.

The requirements and conditions will be set forth in a letter sent to the recipient who will be required to communicate acceptance thereof in writing to you. Terms and conditions will include the specific purpose and topic of the fellowship or research grant, the duration of the grant, the total amount of the grant, and the requirement to furnish narrative reports on the use of your funds and the grantee's progress toward achieving the purpose of the grant.

While you don't anticipate renewing fellowships or research grants, any renewal of a grant for any succeeding period will be contingent upon evidence of adequate performance at the time of review.

Supervision of Grants
You will request and review narrative reports from your fellowship and research grant recipients annually and upon completion of the individual's fellowship or research grant and you will request receipts for travel reimbursement. You will review each required narrative report submitted by the grantee to determine whether the purposes of the grant are being or have been fulfilled, and to identify any issues requiring further scrutiny or investigation.

Investigation of Jeopardized Grants
You will initiate an investigation if a grantee fails to submit a report after a reasonable time has elapsed from the due date or if a report or other information indicates that all or any part of your funds aren't being used for the intended purposes of the grant. While conducting the investigation, you will take all reasonable and appropriate steps to recover the diverted grant funds or to ensure the restoration of diverted funds and their expenditures are in furtherance of the grant purposes. These steps may include legal action unless such action would in all probability not result in the satisfaction of the execution on a judgment.

If the grantee hasn't previously diverted grant funds to any use not in furtherance of a purpose specified in the grant, you will withhold further payments on 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 precautions to prevent future diversions from occurring.

If the grantee has previously diverted grant funds you will withhold further payments until the three conditions of the preceding sentences are met and the diverted funds are in fact recovered or restored.

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.
- The foundation awards the grants on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grants.
- The grant is:
  - A scholarship or fellowship subject to the provisions of 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 to enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the recipient.

To receive approval of its educational grant-making 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 that 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.

Revenue Procedure (Rev. Proc.) 80-39 provides guidelines to determine whether educational loans a private foundation makes under an employer-related loan program to employees or children of employees are taxable expenditures. If the program satisfies the seven conditions in Sections 4.03 through 4.09 of Rev. Proc. 80-39 and meets either of the percentage tests in Section 4.10, we will assume the loans aren't taxable expenditures.

You represented that your loan program will meet the requirements of either the 25% or 10% test in Rev. Proc. 80-39. These tests require that:

- The number of loans awarded to employees' children in any year won't exceed 25% of the number of employees' children who were eligible for grants, were applicants for grants, and were considered by the selection committee for grants, or
- The number of loans awarded to employees' children in any year won't exceed 10% of the number of employees' children who were eligible for loans (whether or not they submitted an application), or
- The number of loans awarded to employees in any year won't exceed 10% of the number of employees who were eligible for grants, were applicants for grants, and were considered by the selection committee for grants.

You further represented that you will include only children who meet the eligibility standards described in Rev. Proc. 85-51, when applying the 10% test.

In determining how many employees' children are eligible for a scholarship under the 10% test, a private foundation may include only those children who submit a written statement or who meet the foundation's eligibility requirements. They must also satisfy certain enrollment conditions.

You represented that your procedures for awarding loans under this program will meet the requirements of Rev. Proc. 80-39. In particular:

- An independent selection committee whose members are separate from you, your creator, and the employer will select individual grant recipients.
- You will not use loans to recruit employees nor will you end a loan if the employee leaves the employer.
- You will not limit the recipient to a course of study that would particularly benefit you or the employer.

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.

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