

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

**Department of the Treasury**

Number: **201524025**  
Release Date: 6/12/2015

**Employer Identification Number:**

**Contact person - ID number:**

**Date: March 20, 2015**

**Contact telephone number:**

**LEGEND**

X = Location

Y = Location

Z = Number

UIL: 4945.04-04

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**

Your mission is to support talented individuals with great potential and high aspirations in the arts and sciences. You plan to launch a social investment program as an incubator of ideas and an accelerator of social impact ventures. You will provide grants for social innovation as part of an eight month program (4 months residency, 4 months non-residency) to propel and rapidly accelerate small but successful social enterprises by combining expert mentorship, business support, and social investment. You will connect talented and high-aspiring young individuals who are leading thinkers and doers and who are determined to make social change happen.

You will award fellowships for the purpose of educating individuals and improving their entrepreneurial and leadership capabilities and skills. Your program helps accomplish your educational purposes and furthers your mission by promoting social ventures that have potential to create lasting positive change for the world.

You will provide grants in the form of complimentary accommodation and office space at X in Y, for the first four months of the program. You will also provide strategic, advisory,

legal, PR training, and executive coaching for the duration of the program. Additionally, you will help social ventures secure the additional financing they need to grow through intervention and support early in their formation. This may be through social investment, government contracts, or grant funding.

You will publicize your program through your website, newsletters, social media, emails, and through the network of Advisory Committee members, your board of directors, other existing networks, and partner organizations. Partner organizations will include other nonprofit organizations and governmental entities.

Eligibility criteria to be selected as a fellow for your program are as follows:

- Applicant must be at least twenty one years of age, or twenty one by the beginning date of entering the program
- Venture must be the original idea of the applicant or the applicant's team
- Venture must be in start-up phase. (To be considered start-up, the venture may not have been organized, or may have been in operation for up to, but no longer than, two years.)
- Venture must be independent and autonomous
- Applicant must make a full-time commitment (minimum forty hours per week) to the organization's development for the duration of the eight month fellowship
- Partnerships (ventures co-founded and led by two individuals) may apply (Both partners must meet all eligibility requirements and make a full-time commitment of no fewer than forty hours per week to the development of the venture.)
- Applicant must have legal status to work in the United States (If applicant is authorized to work in the United States, but this status is granted through a current employer and applicant is only authorized to work for that employer, applicant is not eligible to apply for the program.)
- Applicant must complete the online application form and submit it with all required documents
- Applicant must be able to demonstrate evidence of good health (physical examination)

You will select fellowship recipients based upon specific subject matter focus, as determined each year by you in collaboration with an Advisory Committee. Potential subject matter may include: healthcare, innovation in government, education, and energy. Fellows will be young visionaries with deep domain expertise in fields relating to the specific 21st century challenges addressed by their early-stage social ventures which may become for-profit businesses or non-profit organizations. In addition to the subject matter specific criteria, the committee will concentrate its selection on the capabilities of the founder, the scalability of the model, and the potential impact of the organization on the world.

Your project manager and his/her designee will conduct an initial screening of each applicant which will include a review of the application package for completeness, verifying credentials, and contacting any person who has provided a letter of recommendation for the application. The project manager will then notify each committee

member that the applications are available for review and either provide each member with electronic access to the applications or transmit the applications to the members by regular, express, or electronic mail. Committee members will be subject matter experts and stakeholders from government, academia, non-profit, and for-profit organizations with a strong interest and involvement with social impact ventures or programs. A "Pitch-day" will then be scheduled where applicants will pitch their ideas and answer questions from the committee.

Immediately following the Pitch Day, the committee will meet to select the awardee and transmit the decision to your project manager via email. Your leadership and board will be given ten business days to review and confirm the decision of the committee. If your leadership and board do not object to the selection of any candidate within the ten-day period, the committee's decision shall be final. If there is an objection to the selection of any candidate within the ten-day period, the committee, your leadership, and board shall cooperate in resolving any disagreement regarding the selection of an applicant. If the disagreement is not resolved within fifteen business days of the end of the ten-day period, the decision of the committee shall be final.

Your Board of Directors, upon the advice of the Advisory Committee, will determine the number of fellowships to be provided each year. Fellowship grants will be awarded on an objective and nondiscriminatory basis and recipients will be selected from a group that is sufficiently broad. You will not award more than Z fellowships each year.

Your fellowship grants will not be renewable. To maintain the fellowship, the fellows must make a full-time commitment (minimum forty hours per week) to the organization's development for the duration of the eight month fellowship.

Your staff and Board of Directors have the responsibility to keep permanent records of the meetings and actions of the Advisory Committee, account for all funds, and disburse the funds on your behalf. Your staff and Board of Directors will also investigate any diversions of funds from their intended purpose and take all reasonable and appropriate steps to recover any diverted funds.

You represent you will maintain all records relating to individual grants, including information obtained to evaluate grantees. You will identify whether 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.

#### **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,

Director, Exempt Organizations