



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

Date:
12/07/2022
Taxpayer ID number:

Person to contact:

Release Number: 202309020
Release Date: 3/3/2023

LEGEND

D = date
W = county/state
X = fellowship
y dollars = amount
Z = number

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 X, to provide individuals within W a one-time stipend and access to your leadership development/mentoring program for one year.

The purpose of X is to allow the recipient to develop leadership skills and enhance leadership effectiveness, through both participation in an individualized educational program coordinated by you, and other leadership developing activities to be chosen by the Fellow. Your goal is to support local leaders originating in underserved communities in professional and career growth and create a cohort of leaders working in the realm of youth and related systems.

You will publicize the existence of X through your website, social media platforms on which you participate,

and direct contact with other local non-profit organizations .

X is a one-time grant of approximately y dollars, paid in single or multiple installment(s) within a single year. The stipend will defray costs that serve as barriers to each Fellow's personal leadership capacity. You expect to provide roughly Z grants annually.

X will include both individual and group leadership development components. Fellows will work independently with an expert facilitator, participate in quarterly group sessions, engage in discussions resolving barriers to leadership, and have access to coaching and advises from experienced leaders.

To be eligible for X an applicant must reside within W and work for local nonprofits or grass roots organizations in the area of youth , or the adjacent areas of youth education, behavioral health, juvenile justice, or child welfare.

Applicants must submit a written application and provide one or more letters of support from their organizational leaders demonstrating the organization's support of the applicant as a candidate.

Grants are paid either (1) directly to the grantee, or (2) to the grantee's employer, only if such employer is a Section 501(c)(3) organization that is a "public organization" within the meaning of Section 53.4945-S(a) of the Treasury Regulations. In either case, the grants will be subject to all requirements set forth in the Grantmaking Guidelines adopted by your Board of Trustee on D.

You have developed the following selection criteria designed to identify individuals who will most effectively utilize your resources to further their careers.

Does the Fellow :

- Serve as a " " for a community or program of work, with a demonstrated ability to pull together ideas, consensus, and action in service of the common good?
- Stand on the threshold of a "breakthrough point," that is, have a vision that the Fellow can quickly develop and realize, if given sufficient resources?
- Conduct work in the community that will serve as an effective vehicle for strengthening the Fellow's skills in leadership, consensus building and collaboration?
- Show motivation to action by a passion for community benefit, not private gain?
- Learn openly from achievements and mistakes?
- Consistently make ethical choices in the face of pressure or opportunity to do otherwise.
- Show courage in expressing beliefs through words and actions?
- Approach others with respect and build trust by communicating honestly and constructively?
- Balance work with commitments to friends and family?
- Demonstrate a capacity to grow, overcome obstacles and make significant contributions to community building?

Your Board of Trustees will elect a selection committee which will include your staff, community nonprofit leaders, and young people who have been homeless in the past. Your trustees or senior management staff will not form a major part of the selection committee. You will ensure members of the selection committee will bring broad experience and expertise to the selection process. The committee will submit a list of finalists for consideration by your Executive Director and Board of trustees to make final selections. You will notify the award recipients by an award letter along with its terms and conditions.

Each recipient shall provide a brief initial development report summarizing the award recipient's progress

toward the program and goals set out in the application. Each recipient is also required to submit expense report no later than months after any disbursement of award. The permissible expenses include, but are not limited to, childcare, food, housing, transportation, education, additional coaching, and medical expenses. These reports must be received prior to the disbursement of any unpaid portion of the grant.

The recipients must submit final development reports detailing their accomplishments through X and a final expense report explaining how the funds were used.

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