

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

**Department of the Treasury**

**Number:** 202011014  
**Release Date:** 3/13/2020

**Date:** December 18, 2019

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Legend:**  
T= religion  
V= fellowship 1  
W= fellowship 2  
X= fellowship 3  
Y= university

**UIL:**  
4945.04-04

**Dear :**

You asked for advance approval of your educational fellowship 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 fellowships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational fellowships 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**

You will operate an educational fellowship program called X to provide support to students of Y who are committed to public service.

The purpose of X is to provide a supportive living environment for up to college students that will facilitate their studies and personal growth. No funds will be provided through the program, instead, you will provide comprehensive experience including lodging, counseling and supplemental liberal arts educations to selected Fellows for one year, with a possible extension of a second year.

You will coordinate with other organizations that promote your values such as educational nonprofits and T , to publicize X, and your Officers and Directors will



publicize X through their personal networks. In addition, you expect public awareness of X will increase through word of mouth.

You indicated that there are two different applications for X, which are V and W, used to get two different categories of applicants for the same fellowship program.

These applications are advertised by running awareness events around T community centers across the United States, using scholarship websites, executing email campaigns for high school and college counselors in major concentration of T population in the United States, send emails with literature and application deadline to organizers of T community to create interest in X. You will also run informational sessions at high schools, T , and application campaigns in coordination with local teams to collect academic and demographic information including GPA, class rankings, extra-curricular activities, and financial needs.

To be eligible for X, the candidate must have a GPA of 3.5 for high school and 3.75 for any college classes, submit a complete application and personal statement and participate in a personal interview with the Selection Committee. The Selection Committee will evaluate the candidate's personal qualities, interests and goals, including extracurricular activities, community service, financial need and family background. The Selection Committee will select candidates who have a distinguished academic background and a demonstrated commitment to public service. In addition to the above listed eligibility requirements, to have the Fellowship extended for a second year, the fellow must remain in good standing at Y or the applicable university, must satisfactorily pass two oral exams that assess the student's retention of supplementary liberal arts curriculum, and must adhere to all the rules of behavior required of fellows.

The Selection Committee are executives and entrepreneurs in the field of technology and are actively invested in supporting youth in obtaining quality education. Members of the Selection Committee are appointed by your Board of Directors.

Family members of your Board of Directors and persons serving on the Selection Committee are not eligible to be considered for X.

Program costs, including the costs of counselors and instructors, room and board are paid for directly by you. The counselors and instructors report regularly to you on the fellow's retention of educational material provided through X.

In the event a fellow is not compliant with the requirements of X, you will remove the fellow from X.

#### **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 fellowship program described above. This approval will apply to succeeding fellowship 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 fellowships 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 fellowship distributions with the IRS if necessary.

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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements