

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

Department of the Treasury

Release Number: **201451047**
Release Date: 12/19/2014
Date: **9/25/14**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

x = Percentage
y = Percentage
z = Number of days

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 letter indicates that you will operate an educational grant program.

Your purpose is to create access for families who need to place their children in private therapeutic environments and are unable to afford the full financial commitment.

You will provide up to x percent of the necessary funds for appropriate treatment for students who are eligible.

You will publicize via its website, directly reaching out to industry members, professional referral sources, therapeutic programs, other organizations who assist families with struggling youth, and through alumni families.

In order to be selected for a grant by your organization, the applicant must meet the following requirements:

- Student must be under age eighteen;

- Family must have selected its desired treatment program and received acceptance from such program;
- Family must have demonstrated its financial need;
- Family must commit to family component of the treatment program and program completion by the recipient.

Once the student has met all other eligibility criteria, grants will be awarded on a first-come, first-served basis and the number of grants awarded will be determined based on available funds. You will award y percent of your available funds annually as grants and the amount of each grant will be based on available funds, a family's ability to pay, and a maximum of x percent of the funds for treatment.

You will review individual tax returns and other relevant financial documents to determine financial need. The review/selection committee will engage appropriate financial advisors to assess and ensure financial need and eligibility for your educational grants.

In order to maintain the grant, the family of the grant recipient and the treatment plan are required to provide documentation to you monthly regarding compliance with the treatment program and the student's continued enrollment. You will provide payment directly to the treatment provider on a monthly basis provided the above requirements are met:

- The student is currently enrolled in the treatment program;
- The family is engaged in treatment;
- The family is paying its portion of tuition; and
- You have received a progress report from the treatment provider.

The treatment provider is required to provide proof of discharge upon program completion by the grant recipient. If you do not receive the required documentation, the program and family will be notified that scholarship funds will not be released; the family then has z days to provide the required documentation of the grant will be terminated. If you determine that a program has misappropriated grant funds, you will not issue any additional grants and will take legal action to recover funds that were used incorrectly.

You will use a selection committee that will screen the applications from recipients. The criteria for selection committee membership consists of clinical, medical and or educational experience with private-pay treatment programs and schools, a willingness to provide service pro bono, and no current affiliation with an active treatment program that would be eligible for scholarship from you. You have an on-going process of recruiting members for the selection committee. Since their service is uncompensated and voluntary, the members may serve for an indefinite time period. You will continue to recruit members, so that their commitment to you has minimal effect on their core business and/or practice.

The criteria for selection committee membership consists of clinical, medical and or educational experience with private-pay treatment programs and schools, a willingness to

provide service pro bono, and no current affiliation with an active treatment program that would be eligible for scholarship from you.

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.

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,

Director, Exempt Organizations