

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

**Department of the Treasury**

Number: **201620017**  
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**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date:** February 17, 2016

**LEGEND**

UIL: 4945.04-04

M = City  
N = State  
V= Grant Program  
X = Building

Dear \_\_\_\_\_ :

You asked for advance approval of your scholarship grant procedures and educational grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships and educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1) and 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.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

**Description of your request**

Your purpose is to focus on educational achievement and entrepreneurial success, including providing opportunities for individuals to develop entrepreneurial and leadership skills. You adopted a strategic plan to increase the percentage of students in M reaching academic and life outcomes that prepare them for postsecondary school success including through, among other things, supporting the recruitment, development, and

retention of high-performing teachers and educational leaders in M's metropolitan schools. You believe that recruiting, developing, and retaining the best teachers is critical to closing achievement gaps in schools that serve low-income and diverse communities. Therefore, your V provide funding for programs that attract and retain more talented teachers and leaders that service the students in these communities in the M area. These grants are key to your strategic goal of improving the quality of education in M's metropolitan schools and doubling the percentage of students scoring advanced or proficient on the state test.

Your grants will promote the professional and leadership development of teachers and educational leaders by supporting a wide variety of educational opportunities and training including teacher or principal certification, enrollment in classes taught by colleges and/or universities, attendance at or participation in professional or educational conferences, and support for attainment of advanced degrees. The size of the grants will depend on the nature of the educational program but could range from grants supporting tuition, room, and board at a college or university to grants to support attendance at a conference or grants to support an educational project or course of study that would be of particular benefit to teachers, leaders, or students.

Information about your grants will be posted publicly on your website and you will provide information at public information sessions held at X in M, N. The information sessions and website postings will explain your strategic goals in developing the grant program in addition to the purpose and objective of the specific grant being awarded, the criteria for eligibility, and the application process. Information will also be shared with educational system leaders in the M area.

High-performing teachers, educational leaders, or other individuals who demonstrate a commitment to education and who will have some or all of the following attributes will be eligible for your grants:

- Have demonstrated achievement of strong academic results for their students, such as by demonstrating at least one year of improved results in math, reading, or science over the course of one school year,
- Have teaching experience or otherwise have demonstrated a commitment to education,
- Be either currently working or will commit to work in education in M metropolitan schools,
- Have demonstrated leadership at their current place of employment,
- Are not your employees and are not disqualified persons with respect to you, and
- Are working or will agree to work in schools for which at least 40% of the student body is eligible for free or reduced lunch under the United States Department of Agriculture National School Lunch Program.

Eligible individuals must also be legal residents of the United States and must be able to remain and work in the United States legally as teachers or school administrators for a period of time following completion of the grant program. Certain grants may also focus

on a specific educational area such as development of math or science teachers and would therefore have additional eligibility criteria related to the specific focus area.

Individuals who are eligible may apply directly to you or may be nominated by coworkers or supervisors. Each grant candidate will be required to submit a resume and a cover letter that describes the proposed use of the grant proceeds as well as how the proposed use furthers your mission. Candidates will also need to submit data to show that they meet the eligibility criteria. Grant recipients may not be disqualified persons with respect to you within the meaning of section 4946 of the Code. Also, grant recipients may not be related to any of your officers, directors, or substantial contributors and they may not be persons whose selection would result in private benefit to any of your officers, directors, or substantial contributors. When awarding grants, you will not take into consideration the following, and grants will be available without regard to the following: race, color, national origin, ethnic origin, age, religion, creed, sex, sexual orientation, veteran's status, disability, or any other legally recognized classification.

All applications will be submitted to a panel that will review the applications and apply the grant award criteria to determine the recipients. The panel will consist of three or more leaders you have selected on the basis of their experience and reputation and they will represent different sectors with an interest and expertise in education such as non-profit organizations, colleges and universities, and elementary/secondary schools. A maximum of one-third of the review panel may be your employees. All grants are subject to final approval by your Board of Directors.

You expect to provide at least five awards in your first year. The number of grant awards may change over time depending on your funds and your evaluation of the impact the grants have on the program's underlying objectives. You do not anticipate renewing grants but you may agree to provide additional funds for a grantee to pursue his or her program under compelling circumstances.

You will have a grant agreement requiring individual grantees or organizations that are the direct recipients of grant funds earmarked for use by individual grantees to provide you with periodic written reports no less than annually about the grantee's activities, progress, and use of funds. For scholarship grants, the reports will include an account of course taken during the grant period and grades received. For scholarship reports provided by individuals rather than educational institutions, the reports will be verified by the educational institution. For grantees whose study only involves the preparation of research papers or projects, you shall receive a report on the progress at least once a year. Upon completion of a grantee's course of study or undertaking for which a grant was made, the grantee or educational institution will be required to give you a final report describing the grantee's accomplishments and a copy of the completed work product. If the reports do not account for all grant funds then any unaccounted funds must be returned to you.

You will promptly investigate any apparent misuse of grant funds or failure to provide required reports. You will withhold any further payments while a matter is being

investigated until you have determined that no part of a grant was misused or until missing reports are submitted. If you discover funds have been misused you will take all reasonable and appropriate steps to secure the repayment of the diverted funds. If such a diversion occurs and you are making installment payments on a grant you will withhold any future payments until you have received assurances from the grant recipient that no future diversion will occur and you will require the individual to take extraordinary precautions to prevent future diversions.

You 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**

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 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 Cincinnati Office of Exempt Organizations at:

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

- You cannot 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 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 questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements