

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

Department of the Treasury

Number: 201941031
Release Date: 10/11/2019

Employer Identification Number:

Contact person - ID number:

Date: July 18, 2019

Contact telephone number:

LEGEND:
X= city

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

You will operate a program to fund grants to individuals recovering from substance abuse, addiction, homelessness, reintegration into society after a prison release or who are otherwise in financial need or distress.

Your grants are intended to fall into two categories. First, you will fund expenses on behalf of individuals who are seeking to obtain a General Equivalency Diploma, such as testing fees. You expect that an individual obtaining this certification will advance their ability to obtain and maintain employment. Second, you expect to fund the costs of books and other similar educational materials necessary for a grant recipient to complete the required coursework.

You intend to publicize the availability of these grants using social service agencies in X County so that individuals who are most in need can be aware of your program.

You have not yet developed specific criteria for eligibility for your grant program except that you do not intend to discriminate based on an individual's religion, national or ethnic origin or other illegally discriminatory criteria. Preference is intended to be given to individuals recovering from substance abuse, dealing with homelessness and belonging to groups that have historically been denied opportunity and access. You may impose other restrictions such as geographical limitations or subject related limitations such as individuals pursuing a general education diploma.

Individuals who are employed by you, employed by organizations controlled by a member of your Board of Directors, members of your Board of Directors, or related by blood or marriage to your employees or directors or organizations controlled by one of your directors, will not be eligible for grants under your program.

Your President, acting under the supervision of your Board of Directors, will select grant recipients. Your focus will be directed to those applicants who are recovering from substance abuse, addiction or homelessness or are reintegrating into society from incarceration and who demonstrate financial need, potential and a desire for academic achievement.

The number of educational grants that you shall award will depend on the quantity and quality of applications you receive subject to the availability of funds approved by your Board of Directors. You expect to make single year grants that are not renewable.

With respect to your supervision of grants made, you do not intend to disburse funds directly to individuals but instead will ensure that funds are used for educational purposes by making payments directly to educational service providers. Further, your personnel will require applicants to report on their use of the funds (e.g. results of a sponsored test or, if books were provided, documentation of completion for the associated course).

Using these reports, you will monitor and evaluate the expenditure of funds and the progress made by each recipient. Any apparent misuse of grant funds will be promptly investigated. If you discover that funds have, in fact, been misused, it will require the recipient (or other payee) to return the funds immediately, and it will make no further distributions to that recipient. You will also maintain the required records regarding distribution of charitable funds to individuals.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) 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 diversions from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) 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 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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements