



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

Date:  
11/09/2022  
Employer ID number:

Person to contact:  
Name:  
ID number:  
Telephone:  
Fax:

Release Number: 202305018  
Release Date: 2/3/2023

#### LEGEND

B = individuals  
C = center  
f dollars = amount 1  
g dollars = amount 2  
h dollars = amount 3

UIL: 4942.03-07

Dear :

#### Why you are receiving this letter

We received your request for approval of a set-aside under Internal Revenue Code (IRC) Section 4942(g)(2). Based on the information furnished, your request is approved.

You are recognized as tax-exempt under IRC Section 501(c)(3) and as a private foundation under IRC Section 509(a).

#### What you need to do

Document your approved set-aside(s) in your records as pledges or obligations. You must pay the set-aside amounts within 60 months after the date of the first set-aside, as required under IRC Section 4942(g)(2).

Take into account the amounts set aside when determining your minimum investment return under IRC Section 4942(e)(1)(A) and the income attributable to your set-asides when computing your adjusted net income under IRC Section 4942(f).

#### Description of set-aside request

You have requested a set-aside of f dollars for the tax year ending

Your mission is to serve and children with a preference to B (the beneficiaries). You develop and support programs that address the most basic needs of your beneficiaries including foster care, housing, education and educational support, access to healthcare and other basic needs. You also look for opportunities to offer programs that create and deliver other types of high-impact direct services for your beneficiaries.

The set-aside of f dollars would be used toward the construction/renovation expenses for C. This amount is in addition to a previously approved set-aside of g dollars for the tax year ending . You expect the total cost of construction/renovation for C to amount to h dollars, but you do not anticipate any future additions to the amount set-aside.

The purpose of C is to provide transformational programs in arts, sports, creative media, culinary arts, and entrepreneurship for B youth. You expect C to be a convergence of B culture, creativity, technology and play that enables your beneficiaries to be inspired and pursue their dreams. C will have diverse spaces for recreational sports, creative arts, maker spaces, music, dance, culinary arts, and other educational programs.

The use of a set-aside to designate funds for the construction of the project ensures that the funding will be available as the renovation costs are incurred and allows you to conduct the renovations over time. Setting aside the funds will allow you to ensure the funds remain available while also providing time to complete the necessary construction/renovation work to ensure that the building is appropriately suited for conducting your charitable activities.

Design and planning for C began in . You expect construction to start in and be completed by . The project is expected to be completed within 60 months of the original set-aside with all funds that have been set-aside paid during that time period.

#### **Basis for our determination**

IRC Section 4942(g)(2)(A) states that an amount set aside for a specific project, which includes one or more purposes described in IRC Section 170(c)(2)(B), may be treated as a qualifying distribution if it meets the requirements of IRC Section 4942(g)(2)(B).

IRC Section 4942(g)(2)(B) states that an amount set aside for a specific project will meet the requirements of this subparagraph if, at the time of the set-aside, the foundation establishes that the amount will be paid within five years and either clause (i) or (ii) are satisfied.

IRC Section 4942(g)(2)(B)(i) is satisfied if, at the time of the set-aside, the private foundation establishes that the project can better be accomplished using the set-aside than by making an immediate payment.

Treasury Regulation (Treas. Reg.) Section 53.4942(a)-3(b)(1) provides that a private foundation may establish a project as better accomplished by a set-aside than by immediate payment if the set-aside satisfies the suitability test described in Treas. Reg. Section 53.4942(a)-3(b)(2).

Treas. Reg. Section 53.4942(a)-3(b)(2) provides that specific projects better accomplished using a set-aside include, but are not limited to, projects where relatively long-term expenditures must be made requiring more than one year's income to assure their continuity.

In Revenue Ruling 74-450, 1974-2 C.B. 388, an operating foundation converted a portion of newly acquired land into a public park under a four-year construction contract. The construction contract payments were to be made mainly during the final two years. This constituted a "specific project." The foundation's set-aside of all its excess earnings for four years was treated as a qualifying distribution under IRC Section 4942(g)(2).

#### **Additional information**

This determination is directed only to the organization that requested it. IRC Section 6110(k)(3) provides that it may not be used or cited as a precedent.

Visit [www.irs.gov/setasides](http://www.irs.gov/setasides) for more information.

We'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. Enclosed are 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.

Keep a copy of this letter for your records.

We have sent a copy of this letter to your representative as indicated in Form 2848, Power of Attorney and Declaration of Representative.

If you have questions, you can call the contact the person shown above.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:  
Redacted Letter 4797  
Letter 437