



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

Date:  
05/17/2023  
Taxpayer ID number:  
  
Person to contact:

Number: **202332024**  
Release Date: 8/11/2023

LEGEND

B = Religion  
C = Selection Committee  
D = University  
E = Country  
F = School  
x dollars =  
y dollars =  
z dollars =

UIL: 4945.04-04

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code (IRC) Section 4945(g)(3).

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

**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 IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Your letter indicates you will operate a program to provide students with a serious B learning program relevant to the issues and challenges teens face today. Your program will be operated under your wholly owned disregarded entity, C, in collaboration with D University. You will also provide grants to assist current students to complete your program and for program alumni to continue their learning.

Initially, your program will be publicized through recruitment and use a nominations approach throughout the E F high school network. Then, expand upon that network to reach places of worship, religious schools, and teachers in line with your purpose. This will include sending marketing materials, a brochure, and link to the

on-line application to high school directors to share with students. You may also advertise directly to students through social media campaigns.

Eligibility is limited to students in grades nine through twelve who currently reside and attend a F high school program in the E. Incoming students must complete an application process. Approximately      students will be selected annually. This is subject to change due to funding and success of the program. Students will attend your one to      -year program that is run in partnership with D University. Each      , students will meet in person      to      days at the university for a residential experience. University instructors will administer and evaluate an end-of-semester project. Upon completion, students will receive a certificate from the university. Students may receive a grant up to approximately x dollars for completing      courses and up to y dollars after completing      to      courses over the year. The grants would cover education, staffing, room, board, food, travel, and logistical costs in connection with your program.

You may also provide grants to students who successfully complete your      -year program and plan to continue their education such as on-line programming and/or in-person educational seminars. The grant would cover all costs including fees for staffing and presenters, materials, food and potentially travel and lodging to enable alumni to participate. In the event this program is not operated in connection with D University, another university recognized to be tax-exempt under IRC Section 501(c)(3) would be selected. Alumni of your      - year program may receive up to approximately z dollars for future B study.

Potential students who are related (within the meaning of Section 4946(d)) to members of the selection committee, director, officer, employee, substantial contributor, or other disqualified person will not be eligible to participate in your program. No director, officer, employee, or any other person who is involved in the process of selecting applicants for the program, will be in a position to derive a private benefit, directly or indirectly, if certain potential applicants are selected over others.

The selection committee will evaluate the applications based on the following criteria:

- Quality of the application
- Level of interest in B education
- School grades
- Student's religious denomination/affiliation; and
- Geographic location of the student

If a student would like to continue the program for a second year, their success in completing the first year will be evaluated.

C, will have control over selecting and replacing members of your selection committee. Your selection committee will initially consist of a small group of your staff. One staff member will serve as the program director. Members will have expertise and experience in teen education. In the future, university staff, as well as outside consultants, may also serve as selection committee members. The selection committee will also be responsible for identifying any relationships between potential students and disqualified persons; ensuring the student is not invited to participate in the program.

The program director shall be responsible for supervising the development of the marketing and recruitment material, liaising with the university with respect to all educational aspects of the program, approving the topics of the on-line courses proposed by universities, and supervising the recruitment and selection process to identify students for the program. Additionally, your program director, or other representative, will regularly communicate with the individual responsible for overseeing the program on behalf of the university. This

individual will be known as the program's academic director.

The academic director will oversee the curriculum and coordinating the winter residential experience. This includes being responsible for enrolling students in online courses, coordinating technology, managing website content, hiring, and supervising residential staff, overseeing on-campus activities during the winter program, overseeing the high school teachers who will assist with monitoring students' progress, and meeting with students throughout the academic year to receive feedback on the program. You may develop an advisory committee to further inform, shape and advise the implementation of your program as it expands.

D University will be required to submit a written report upon completion of each year of the program. The report will include a narrative description and financial details on how the funds were used.

You will enter into an agreement with each student, and the student's legal guardian, setting out the terms of the program and the expectation that the student participates in all aspects of the program. You will pay the following costs directly to the services providers:

- Marketing
- Evaluation
- Travel
- Staffing cost (monitoring student's progress)
- Subsidies at another program for continuing education

Any amounts distributed directly to the recipient are for reimbursement of program expenses in which a receipt of the expense must be provided. Grant funds must be used within three years of receipt. Amounts may increase in the future due to costs. Some future costs may need to be covered by student's families.

You will make a grant to the university to operate both the on-line classes and the annual residential experience. In the future, the university may administer payments to students through the grant you give them in which you will include those amounts.

You further represent you will take all such reasonable and appropriate steps (including, possibly, legal action) to compel compliance of funds used for their intended purpose. This includes requiring the return of all, or any portion, of funds remitted, and the withholding of funds not previously remitted in connection with the program. You will maintain case histories for the students and comply with Revenue Ruling 56-304, 1956-2 C.B. 306. In compliance with the U.S. Patriot Act and U.S. Executive Order 13224, you will pre-screen any and all non-U.S. applicants using the Treasury Department's Specially Designated Nationals and Blocked Persons List ("SDN"), Office of Foreign Assets Control ("OFAC") Sanctions List, the FBI's Most Wanted Terrorists List; the State Department's Terrorist Exclusion List; the U.S. Bureau of Industry and Security's Denied Persons List, Unverified List, and Entity List; and similar lists maintained by the United Nations.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and ensure other grant funds held by a grantee are used for their intended purposes, and
- 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 diversion from occurring.

You also 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**

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. 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 the following requirements of IRC Section 4945(g) is not a taxable expenditure.

- The foundation awards the grants 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of IRC 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 Regulation 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 IRS at:

Internal Revenue Service  
Exempt Organizations Determinations  
TE/GE Stop 31A Team 105  
P.O. Box 12192  
Covington, KY 41012-0192

- You can't 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 IRC 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'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed 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.

Please keep a copy of this letter in your records.

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:  
Letter 437