

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: December 20, 2018

LEGEND

UIL: 4945.04-04

X= Name

Y= Organization

b dollars = Amount

c dollars = Amount

d dollars = Amount

e dollars = Amount

f dollars = Amount

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 called X.

The purpose of X is to provide educational grants to graduating seniors from Y high schools who are enrolled in accredited post-secondary educational institutions described in Section 170(b)(1)(A)(ii) of the Code to fund items not covered from traditional scholarships including computers, living expenses, equipment and other miscellaneous items. Y is a nonprofit network of college-preparatory, public charter schools educating early childhood, elementary, middle, and high school students in underserved communities throughout the country. Your grant recipients will likely receive financial assistance from a variety of sources, including the schools to assist with their tuition.

However, these students often struggle accessing financial resources for education-related costs. X will address these financial gaps that low-income college students face. You will publicize X through high schools participating in Y, through Y's website, teachers, counselors, alumni and the entire network. Specifically, you and Y will ensure that teachers, counselors and alumni across the entire Y network are aware of X as well as be available to help candidates apply for the scholarships.

The number and amount of the grants will be determined by your budgets, as approved by your Board of Directors. Currently, you plan to award at least fifteen grants a year for b dollars. The grants will usually be comprised of the following components:

- A one-time technology stipend for c dollars for a new computer;
- A grant for d dollars dispersed quarterly for four years for living expenses;
- An annual stipend for e dollars for three years for expenses incurred during summers;
- An annual stipend for f dollars dispersed twice per year for miscellaneous expenses such as books and clothing.

In addition, you will provide mentorship and networking programs to the award recipients. Mentors will be leaders in their fields across different sectors and will be assigned to each award recipient based on the student's interest. The mentors will help students through touching base by monthly phone calls. They will also help them establish goals and will monitor their progress and serve as the point person to help recipients access the networking program, which will help recipients make career connections in their fields of interest. Furthermore, the networking program will assist with matching recipients to internships and jobs.

The selection process for X is administered by a Selection Committee collaboratively with Y to determine the size, criteria for membership and process for appointing or replacing members of the committee. It will include members of your staff, Y's executives, as well as regional leaders and Y's alumni who have strived and graduated.

The Selection Committee will select recipients based on the following key criteria:

- The desire to lead demonstrated by evidence of leadership skills;
- Perseverance in the face of challenges;
- Strong personal character;
- Self-confidence in developing a point of view;
- Academic achievement.

All members of your Selection Committee will review and rank each student's submitted application package which includes a resume and academic records, letters of recommendation from a Y teacher or guidance counselor, and a letter of interest. The letter of interest will include a description of their college and career aspirations, examples of demonstrated leadership, resilience, character, independent thinking, and entrepreneurial spirit, as well as a description of leadership strengths and areas for

improvement. In-person interviews will also be conducted. The Selection Committee will then select recipients. You will retain ultimate approval authority of grant recipients.

You may disburse part of the scholarship to the schools directly (if practical), which will then disburse the funds for the use of the recipients who are in good standing. Generally, you will make payments directly to the award recipients, subject to verification with the educational institution where the award recipient is enrolled and in good standing. You will also require the recipient to provide an annual report that includes a narrative of how the funds were expended. If you are not satisfied with the annual report, you may withhold additional funding from the recipient. In addition, you will monitor use of funds through regular communication with grant recipients through the mentorship program. Retention of the grant is based on grade point average. Payments will be suspended if a recipient takes a temporary leave of absence from the school and will resume once the student is re-enrolled. If you learn of any misuse of funds, you will withhold additional payments and you will take all reasonable steps to recover funds and/or ensure restoration of the diverted funds for the purposes of the grant.

You will maintain complete records regarding grants awarded, including information to evaluate the qualifications of recipients, their identification, purpose and amount of grants, terms of payment of each grant, and any additional information secured as part of the grant administration process.

Finally, your collaboration with Y is not an exclusive arrangement. You may expand X to other schools with characteristics or purposes similar to Y.

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