

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

Department of the Treasury

Number: **202123011**
Release Date: 6/11/2021

Date: March 16, 2021

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

X= facility
Y= city/state
b dollars= amount 1
c dollars= amount 2
d dollars= amount 3

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

Your program will address the severe shortage of medical personnel in Y by paying the reasonable cost of professional schooling for medical/healthcare professionals, such as doctors, nurse practitioners, and behavioral-health professionals, who sign a binding contractual pledge to work in their chosen medical profession on a full-time basis anywhere in Y for a specific term after they obtain their professional license and complete any required medical residencies. The goal behind the program is to benefit the health of, and expand access to healthcare for, residents of a total of served by X in Y. Proceeds from the sale of assets from X will initially fund the program.

You intend to implement your program first with physicians, to pay the reasonable cost of medical school for students. In the physician stage of the program, your payments for each individual grantee will cover tuition and the costs of medical school (including reasonable room, board, and class expenses) up to b dollars per year per individual

recipient. In exchange for receiving this funding, the grantees will be required to commit to work as physicians in Y for at least years after they complete their physician residencies and obtain their requisite professional licenses. In this way, you intend to bring individual physicians to Y for at least years, although there is also a significant possibility that these new physicians might decide to make Y their permanent homes, once they have lived in the area for a number of years and developed personal and professional networks locally.

If this program is successful, future stages of your program will feature the same attributes but will involve students entering other medical professions, with awards and coverage adapted to the specifics of education in those professions. For example, nurse-practitioner professional education is considerably less costly than medical school for doctors. Accordingly, the time length of the work commitment for nurse-practitioner grantees may be shorter.

As part of the contractual commitment with you, each grant recipient will be required to start the service period immediately upon obtaining his or her professional license and completing any residency period required for his or her profession. Furthermore, the service requirement must be fulfilled immediately and in consecutive months/years, unless you permit an extension due to a limited number of extenuating circumstances in your discretion, such as serious or long-term illness. Recipients who fail to fulfill all or part of their pledge will be required to refund their grants to you in the proportion to which they failed to uphold their obligation.

Payments under this program are intended as grants to individuals to achieve a specific objective within the meaning of IRC Section 4945(g)(3), even though you may use the term "scholarship" from time to time in describing the program publicly.

In order to ensure that grants are used for proper purposes, you are likely to make tuition payments directly to a student's professional school (e.g., medical school). Payments for off-campus room and board as well as for class expenses (e.g., books and supplies) would most likely be made directly to the student, for which the student would provide backup documentation to your satisfaction.

You expect to promote your program through a comprehensive approach that involves traditional print advertising, radio, and digital media; networking with medical-school officials; in-person visits by your representatives to educational institutions; and collaborations with an extensive array of local community organizations. Your promotional material will fully disclose the contractual requirement to work as a medical professional in Y for a specified period of time (e.g., for years, with grantees who become physicians) as a condition to receiving any grant funding.

You are still developing a suitable application form for the grants, along with a contract for approved recipients to sign, obligating them to fulfill the applicable work commitment. This work requirement will be fully and prominently disclosed to all individual grant applicants. The application will likely require information about academic history with

grades, and may require applicants to submit references or letters of recommendation. An in-person interview may also be part of the application process. Application files will be reviewed confidentially by personnel assembled by you.

When an applicant is informed of your decision to award a grant, the applicant will be required to execute a contract with you that commits the student to fulfill the applicable work requirement in exchange for receiving your funding. The contract would, among other things, require the applicant to serve all patients, whether insured or not, and, as applicable, would need to accept all types of insurance (or work at a facility that does so).

Your primary standard for awarding funding will center on your determination of a student-applicant's ability to fulfill, and likelihood of fulfilling, the pledge to work in Y for an appropriate period of time, which may be as long as years in the case of physicians, since expanding access to healthcare is the main purpose of the program. To this end, you anticipate targeting the program at applicants who have grown up, or whose families currently live, in Y, although this approach may be loosened if it unduly narrows the pool of eligible applicants.

The application process may also include an evaluation of the student's academic achievements and likelihood of graduating from his or her professional education program school, along with financial need. Your decision on where to focus its grantmaking will depend on its data-based evaluation of where the most need for medical professionals exists in your service area. For example, in choosing individual grantees in medical school, you may target grants at students who intend to become generalist physicians or specialists in much-needed fields in your geographic area, since the overall purpose of the program is to increase public access to healthcare in areas where there is the most need.

Your preference is to make the program available only to new students at the start of professional healthcare education. For example, students currently in medical school would not be eligible, unless you find that the pool of applicants has been unduly restricted by this limitation. There will be no limitations or restrictions in the selection procedures based upon race, religion, national or ethnic origin, or other illegally discriminatory criteria. Grants will be awarded on a first-come basis, subject to the eligibility criteria. Individuals who are disqualified persons, including your officers or directors, managers, substantial contributors to you, family members of such persons, or any other person who is a disqualified person with respect to you within the meaning of IRC Section 4946(a), will not be eligible for a grant. Furthermore, relatives of any persons who participate in the selection and award process will not be eligible for a grant. Although the number of awarded grants may be relatively small, the number of potentially eligible individuals is too large and uncertain to estimate at this time.

You have currently budgeted c dollars total for the initial stage of grantmaking, which will focus on future physicians, at no more than b dollars per year for each individual. Since medical school typically lasts for four years, this means that, for example, an individual

who is awarded a grant in his or her first year of medical school may be able to receive up to d dollars in exchange for working in Y as a physician.

The amount of grant awards for future stages of your program will be based on the cost of professional education in a given field, with appropriate ancillary expenses, as well as the availability of funding. For example, individual grants to nurse-practitioner students would be based on the prevailing cost of nurse-practitioner training programs. In any event, the decision of how much funding to grant to each student-recipient will be made on a case-by-case basis.

Although you are still developing the contract that will be used with grant recipients in the program, you expect to require a level of reporting from each individual grantee sufficient to keep you regularly apprised of relevant information, including without limitation (i) the grantee's current physical address and complete contact information; (ii) academic progress; (iii) the facility where the grantee will provide healthcare services as part of any post-graduation professional practicum before commencing the work requirement, such as a residency for physicians, with regular progress updates; (iv) efforts by the grantee to find permanent employment in Y; and (v) progress reports demonstrating that grantee has been working continuously as a medical professional in their field in Y for the requisite work period in compliance with the terms of the grantee's contract.

You are in the process of determining who will be involved in selecting grant recipients. In any event, the selection committee will be composed of your board members and knowledgeable community members, likely including local medical professionals and business leaders. You anticipate requiring all prospective selection committee participants to sign a certification that (i) their participation will be focused on what is best for Y; (ii) that if they are related to or know anyone who applies for an award, they will disclose this fact and recuse themselves from consideration of the applicant; and (iii) they will agree to serve as a professional mentor, when needed, for applicants selected for a award.

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, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the 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 diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the 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