



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

Date: 02/20/2024

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202420032

Release Date: 5/17/2024

UIL: 4945.04-04

LEGEND

B = Program

C = Partner A

D = Partner B

E = Partner C

F = Partner D

G = Ages

H = Country

J = Providence

K = City

L = Country

M = City, State

N = State

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

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 scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Additionally, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in IRC Section 117(b)).

Description of your request

Your letter indicates you will operate B. The purpose of B is to support students pursuing post-secondary education who require additional financial support to stay in school and succeed. B will be publicized through your website. The number of scholarships and the amount of each scholarship will vary based upon individual need and your operations. You have not set a minimum or maximum threshold for grants under this program.

Your grants are available to students that are nominated by your partner organizations and demonstrate the need for extra support while attending college or university. Eligible recipients will include students that were previously awarded scholarship payments and that are in one of the following categories:

- Students who have previously been awarded scholarships or bursaries through a grantee partnership. Established partnerships include C, D, E, and F.
- Students that have previously been awarded scholarships or bursaries directly from you via partner nomination and student application.
- Students that have previously been awarded scholarships or bursaries directly from you to acknowledge and/or recognize their engagement and participation with your scholar offerings.
- Students that demonstrate the need for financial support to stay in school and succeed. You may consider providing support to students that have not previously been awarded scholarships, if a need is demonstrated by a student.

Eligible applicants must also meet the following general criteria:

- Be within G years of age,
- Demonstrate leadership in their local communities and/or school,
- Demonstrate a financial need to meet their academic aspirations,
- Be enrolled in an accredited post-secondary institution for a 2–4-year undergraduate program, and
- Maintain a minimum GPA, or substantiation that extra support is needed for students on academic probation to allow them to remain in school and matriculate.

Eligible applicants will also meet the following geographic criteria:

- H eligible applicants, with preference for applicants who reside in J and the city of K,
- L eligible applicants, with preference for applicants who reside in M, or N, and
- Applicants residing in other geographic areas are eligible for the program.

Since the program is open to students nominated by partnership organizations and prior scholarship recipients, the program is not open to the public at large and program information is limited to your website and social media platforms.

Your application requires applicants to provide details of the extra financial support needed to stay in school and succeed. The application requires a video proposal that details how the support will impact the students' studies and wellbeing. You use the written application and video to select a shortlist of applicants.

Your selection committee will be comprised of representatives from partner organizations and consultants hired to facilitate the payments.

Your selection committee will select recipients that meet the GPA requirement of 2.0 or higher, that are pursuing undergraduate studies and who face socio-economic barriers due to race, ethnicity, sexual orientation,

geography, or personal trauma/hardship and that demonstrate the need for additional financial support. For students not meeting the GPA requirement, the selection committee will consider current academic status, including academic probation and challenges with coursework, in determining if applicants with a GPA below 2.0 can qualify for support. The selection committee will also examine an applicant's leadership and community service, engagement with the community that you and your partners support, financial need, socio-economic challenges/barriers, extra-curricular activities, academic leadership and career aspirations.

To obtain or qualify for additional support from B, students must complete an application detailing the new or recurring financial need. They must provide transcripts and proof of enrollment. They must also describe one or more of their future goals including but not limited to:

- Aspirations to continue with graduate studies after four-year college program.
- Desire to start a small business or not for profit organization during or after graduation.
- Engagement as a scholar mentor for younger scholars who are a part of your scholar alumni or who are scholars of programs from your partner organizations.

The following requirements are imposed on scholarship applicants to obtain, maintain, or qualify for renewal of a scholarship, recipients must:

- Apply by describing the new or recurring financial need.
- Provide transcripts and proof of enrollment.
- Describe one or more of their future goals.
- Continue their studies and have regular check-ins with your management and partners regarding current academic standing, current course-load, mental health, and financial wellness.
- Participate in other programs that you provide to strengthen their connection to other students and to build their personal and professional network.
- Sign a grant agreement outlining the terms of the use of funds.

Where possible, scholarships will be paid directly to the institution, or scholarships will be used to purchase the necessary materials directly, rather than granting funds to the recipient student. When funds are granted directly to the recipient, they will be required to submit receipts as proof of any purchases.

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 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 the provisions of IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).

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