

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

Department of the Treasury

Release Number: **201443026**
Release Date: 10/24/2014
Date: July 28, 2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:
Y= state
z= dollar amount

UIL:
4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

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

Also, 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 provide in Code section 117(b)).

Description of your request

You will provide up to 30 individual grants to non-profit leaders working within 501(c)(3) organizations throughout Y. Each grant will be for z dollars.

Eligible applicants will be full-time employee working within 501(c)(3) organizations that have applied and received grants from you in the last two years. The grants are intended to support non-traditional, imaginative, professional development and personal and intellectual renewal endeavors which enable non-profit leaders to grow. This will include professional development conferences and leadership workshops not paid for by employers; travel to investigate model programming with the goal of informing work in Y; and tuition payments for accredited educational degree programs along with funding for books and related fees.

Award determinations will be made by an independent panel consisting of at least three non-profit leaders to include one of your representatives. You will make an effort to create a diverse committee with members coming from wide range of Y communities and non-profit sectors. Members of the panel will have a minimum of ten years of experience working in a supervisor or managerial capacity in the non-profit sector; knowledge of the specific field of interest; and knowledge of the Y non-profit landscape.

Potential candidates must submit their proposal on your web site. The application form asks for a description on how they plan to use the funds, why they decided to work in the non-profit sector, why the proposed activity is important to them, and an anticipated list of expenses. Funds cannot be used for classroom activities or field trips, capital projects, equipment purchase or rental, college or graduate level classes leading to dissertation work or degree credits, or ambassador/mentor gifts.

Grants will be paid directly to the individual recipients. Committee members will read and rank the proposals received. Criteria used to rank the proposal will include: innovation; personal development ; non-profit benefit; and practicality. Each proposal will be ranked based on an unweighted average of the committee member individual rankings. The highest ranking proposals, up to numerical limits specified in each year (given grant dollars available) will be select to receive awards.

Recipients will be required to report to you on use of the awards and his or her accomplishments within the year in which the award is made. You will review the reports to determine that the awards were used for the purpose intended. You will maintain case histories showing recipients of your scholarships, or other educational grants, including names, addresses, purposes of the award, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded; to investigate diversions of funds from their intended purposes; and take all reasonable and appropriate steps to recover diverted funds, ensure other grants funds held by the grantee are used for their intended purposes, and withhold further payments to grantee until you obtain grantees assurances that future diversions will not occur and the grantees will take extraordinary precautions to prevent future diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you under took the supervision and investigation of grants .

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 the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code 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 Cincinnati Office of Exempt Organizations at:

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

- You cannot 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 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.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations