

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:

LEGEND

UIL: 4945.04-04

B=
X=
Y=
Z=
\$c =

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 will not 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 selected students accepted into the Y with stipends and educational advising and mentoring to enable them to take a Z before starting college. The recipients of the stipends will be chosen from among those who have been accepted into the Y. Thus, your program will provide access for low-income students to existing, funded gap-year programs, thereby enhancing students' educational experiences.

To be eligible, students must have been accepted to a college with a Z friendly policy—i.e., a policy that allows the student to defer their acceptance and financial aid package until the following year. They also must have applied to other Z programs and have been accepted into one or more such programs covering a substantial amount of the total Z

cost. Thus, your program will provide Y participants access to existing Z programs, which are typically financially out of reach for low-income students. The amount of your stipend will vary depending on the amount of aid from other Z programs: students with less support from other programs would receive the full stipend, while students with more support from other programs would receive less than the full stipend.

The stipends will enable the recipients to achieve a specific educational objective and to improve or enhance their scholarly capacity and academic and professional skills, in accordance with section 4945(g)(3). The amount of each student's Z stipend will vary depending on the amount of other financial support he or she receives for their Z program, but no individual stipend will exceed \$c.

Recipients will be chosen from among students who have been accepted into the Y; thus, recipients will be chosen from a pool of applicants selected under your approved grant making procedures for the Y.

The opportunity to apply for the X will be made available to all students who have completed your B and have been accepted into your X, and wish to pursue a Z program between the end of high school and the start of college. Recently, about 60 students completing their final year of high school in the B were accepted into the Y. These students would all be eligible to apply for the X.

The primary selection criteria for the program shall include, but are not limited to;

- Acceptance into the Y,
- Acceptance into a college that will accommodate participation in a Z program,
- Acceptance into a funded Z program likely to enhance the student's educational experience, independence, motivation, academic achievement, and financial need.

The educational advisers and your staff will generally orally make applicants to the Y aware of your program and solicit applications directly from those selected to participate in the Y.

You may enter into agreements with independent organizations that will assist you in promoting your program, contacting colleges and universities with relevant information on your program, designing and processing the applications, and evaluating the eligibility of applicants.

All such consultants will be separate corporate entities that are completely unrelated to you. None of the employees, officers, or directors of consultants will be employees, officers, or directors of you, or disqualified persons with respect to you. Fixed fees paid to consultants for services provided to you will be set in accordance with standard rates for similar consulting and management services provided to other organizations. Your consultants will work directly with you on all major policy and program decisions. You will be responsible for approving all aspects of program design, promotion, award selection, and allocation.

As part of your selection process, you may enlist either an independent selection committee composed of individuals with relevant educational expertise or authorize your staff to review and evaluate all eligible applications for recommendation to your board of directors of award recipients. Any review and evaluation of applications will be conducted in accordance with the restrictions set forth below in this ruling request. Scholarship consultants may identify qualified individuals to serve as panelists on the selection committee of a particular scholarship or fellowship program and may provide training sessions for the panelists. In all cases, your board of directors will make the final selection of stipend recipients.

You will not discriminate on the basis of race, religion, creed, color, sex, age, physical or mental disabilities, sexual orientation, or national origin. All stipends are required to be awarded on an objective and nondiscriminatory basis.

The exact number and amount of stipends in a given year will depend on a number of factors, including the number, qualifications, and particular needs of the applicants and any unused stipend funds will be transferred back to you.

You will not award stipends to your founder, creator, officers, board members, or staff, or their families, or to any disqualified person or for a purpose that is inconsistent with the purposes set forth in section 170(c)(2)(B) of the Code.

You will require each recipient to furnish a report of his or her accomplishments, the impact of the Z on his or her personal and professional development, and the use of the funds received.

You will require each recipient to be in regular contact with an educational adviser appointed by you throughout the duration of the X.

Recipients must meet certain criteria to be eligible for grant renewal, including compliance with all reporting requirements as described above.

If you learn that all or any part of the funds you have awarded are being diverted from their intended purposes, you will take all reasonable and appropriate steps to recover the funds and/or to ensure restoration of the diverted funds to the purposes of the program. This would include legal action if deemed appropriate under the circumstances.

You will retain complete records with respect to all stipends awarded, as required by the applicable Treasury regulations. These records will include all information obtained by you to evaluate applicants, the identification of recipients, the completed application of each applicant, the amount of each grant, progress reports from recipients or their supervisors, and any additional information that you or your scholarship consultants have obtained in the course of the grant administration process. You will report all stipends awarded on an annual basis on your Form 990-PF.

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,

Director, Exempt Organizations