

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **201508013**
Release Date: 2/20/2015

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: November 25, 2014

LEGEND:

x = dollar amount
y = dollar amount

UIL:

4945.04-04

Dear _____ :

You asked for advance approval of your educational 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.

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 sections 4945(g)(1) and 4945(g)(3). As a result, expenditures you make under these procedures will not be taxable.

Description of your request

You will award scholarships to scholars and other individuals of recognized merit and qualification who require financial assistance to meet their educational goals. You will publicize your program through your website, press releases, media campaigns, outreach by schools, and direct contact with possible grantees. You consider applications from any single parent, veteran, or student studying math and/or engineering that are currently facing serious financial difficulties. The approximate number of eligible individuals is therefore effectively unlimited. However, you expect awards to range between x and y dollars.

You require a proposal be sent from each applicant. Each proposal will include:

- (i) A statement setting forth the proposed use of the grant for research and/or study and outlining the research/study objectives and methods
- (ii) A description setting forth the way in which the grant will allow the applicant to start

- down a path to a more secure future;
- (iii) A proposed budget for the research and/or study, and the financial need
 - (iv) References from persons able to evaluate the applicant if possible

Recipients are selected based on scholastic ability and achievement, educational experience, leadership ability, goals and interests and financial need. Selections will be made based on how funds are likely to enrich and support the recipient. Funds will generally cover tuition, housing, computers and books.

You require applicants to explain their financial need and to describe the emergency that has led to the financial need. Based on this information, you request additional information relevant to the determination of financial need, including employment status, income, savings, other assets, whether the applicant rents or owns his or her home, and any other potential sources of assistance. Your application also asks for references validating the applicant's request, and you will consider these references when determining financial need. Although no specific level or amount of need is required, the applicant must be struggling to meet basic needs. Your application also requires the applicant to describe how a grant from you would help them meet their need and position them for future financial security.

Your board serves as your selection committee. No grants will be made to:

- Your substantial contributors
- Members of your Board of Directors
- Your officers
- Any disqualified person with respect to your organization within the meaning of Section 4946 of the Code
- Any family members of these individuals.

All grants will be made on an objective and nondiscriminatory basis and without regard to race, gender, religion, national origin, sexual orientation or ethnicity. Grants may be renewed upon request from the recipient and based on reports submitted.

You will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds.

You ensure other grant funds held by a 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 the grantees will take extraordinary precautions to prevent future diversions.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the

amount and purpose of each grant, and establish that you undertook 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 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

Enclosures:
Notice 437
Redacted letter