

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:

Date: December 10, 2014

LEGEND

UIL: 4945.04-04

X= Scholarship Program
y= dollar amount
Z= Country

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)(1). 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

Your letter indicates you will operate a scholarship program called X. The purpose of X is to recognize youth who have demonstrated exceptional conduct through community service efforts, volunteerism and mentorship activities in addition to outstanding academic performance.

You will award scholarships to ten high school juniors and/or seniors who have demonstrated exceptional conduct through a variety of community service efforts while also maintaining exemplary academic performance. The final decision on award recipients will be announced following your board's consideration and approval.

Each scholarship recipient will be awarded an academic scholarship of \$y to be applied to the cost of attendance including tuition, housing, books and other on-campus related expenses at accredited, four-year colleges and universities in the Z.

The grant program will be publicized on your website, through social media, and a press release.

Applicants must meet the following criteria to be eligible to apply for the grant:

- Be a high school junior or high school senior planning to attend an accredited four-year college or university in the Z;
- Have a minimum 3.0 GPA;
- Have participated in community service, volunteerism or mentorship activities; and
- Be a Z citizen or legal permanent resident.

The selection criteria to select recipients are:

- Applicant's general information;
- Community service description and sign off form;
- Letter of recommendation form;
- Description of personal statement required;
- List of applicants extracurricular activities, hobbies and interests;
- List of the colleges and/or universities the applicant has applied, or will apply to;
- Applicant's transcript displaying a 3.0 GPA or higher;
- Applicant's personal statement; and
- Description of financial need.

High school juniors and seniors are eligible to receive the grant. Grant winners must enroll in accredited, four-year colleges and universities in the Z because the grants will be paid directly to such institutions.

Grants will be a one-time award. You will pay grants directly to an educational institution under an arrangement whereby the school will apply the grant funds only for an enrolled student who is in good standing. The educational institution will provide you with a confirmation letter after the funds were applied on behalf of the grantee confirming that the grantee is an enrolled student who is in good standing.

Your staff will review all applications submitted and select the top 20 applicants to present to your Executive Board. The Executive Board will act as the selection committee for the awards made with the assistance of your Advisory Board.

You represent that you will:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded;
- Investigate diversions of funds from their intended purposes; and
- Take all reasonable and appropriate steps to recover diverted funds, 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 grantees will take extraordinary precautions to prevent future diversions from occurring.

You also agree to maintain records that include the following:

- Information used to evaluate the qualification of potential grantees;
- Identification of the grantees (including any relationship of any grantee to the private foundation);
- The amount and purpose of each grant; and
- All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

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.

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

Sincerely,

Director, Exempt Organizations