

**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:**

**Date: December 10, 2014**

**Contact telephone number:**

X= Country

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)(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**

You intend to develop a program of awarding scholarship grants to educational institutions for the benefit of academically promising physically disabled students with financial need, in order for those individuals to attend primary and secondary (K - 12) private schools.

Eligible recipients will be physically disabled students in grades K - 12 (a) with financial need, (b) with either (1) a record of academic achievement or (2) the potential and the desire for academic achievement, and (c) who are not disqualified persons with respect to you. You will liberally construe, "physical disability," so as to include not only students with commonly recognized physical disabilities but also those students suffering from, recovering from, recovered from, or in remission from serious or life-threatening illnesses such as cancer, multiple sclerosis, or other physical afflictions affecting young people

and also students who have undergone painful or potentially life-shortening treatments such as radiation, chemotherapy, stem-cell transplantation, bone marrow transplantation, and other treatments including treatments not yet in practice or yet to be developed. You believe that a young person's physical and financial hardship should not be an impediment to excellence, and the objective of the program is to empower and help scholarship recipients reach their fullest individual potential academically, emotionally, and socially by providing the recipients an opportunity and impetus to attend institutions of excellence which can provide the most hospitable environment for such growth.

Each scholarship under the program will be provided for the benefit of an individual student on an objective and nondiscriminatory basis. In each case, the program will take the form of scholarship grants for study at an educational organization as defined in Section 170(b)(1)(A)(ii) of the Internal Revenue Code (the "Code").

You have not yet determined what size scholarships you will provide. Qualifying students will be eligible for renewal scholarships through the 12th grade. The program is designed to provide a maximum benefit to the students, while still serving a diverse array of students, in furtherance of the program's core tenet: empowering physically disabled young people to reach their fullest individual potential. Over time, if you find that you are receiving more qualified applicants than you have funds to distribute, you may seek outside funding to increase the reach of the program. Additionally, you may expand the program in the future to provide scholarships to academically promising physically disabled students with financial need to attend post-secondary educational organizations as defined in Section 170(b)(1)(A)(ii) of the Code should you determine that such activity is in furtherance of your charitable purposes.

You will not provide any scholarships to or for the benefit of disqualified persons, including your officers or directors, foundation managers, members of any program selection committee, substantial contributors, family members of such persons, or any other person who is a disqualified person with respect to you within the meaning of Section 4946(a) of the Code.

You will initially publicize the program to potentially eligible individuals by providing informational materials about the program to private schools of excellence and organizations that work with physically disabled persons, inquiring with administrators at such schools and organizations about potential recipients, announcing the program and related eligibility criteria on your website and social media page, and other methods that you may develop to communicate information about the program to academically promising physically disabled students with financial need. You expect that, within the X, your publicity efforts will not be limited geographically.

Recipients that meet the eligibility requirements will be selected based upon their needs relative to other applicants and the impact the scholarship will have on the life of the recipient. The selection criteria may include (1) the severity and expected duration (whether or not permanent, such as limb loss) of the applicant's physical disability; (2) the applicant's academic potential, as may be demonstrated by his or her ability to be

admitted to a private school, especially a private school of excellence; and (3) substantiation of the applicant's financial need, as may be provided by such applicant's educational institution. Applicants may be asked to provide an essay on a topic assigned by you, and one or more directors or members of an advisory committee (if any) may interview applicants. The selection committee may also consider the applicant's demonstrated commitment to self-improvement and individual excellence.

Initially, your Board will review the applications and select the scholarship recipients. If the volume of applications becomes too large to be managed by you or if outside donations increase and the amount to be distributed becomes larger, you may delegate to a selection committee of directors and experts or hire an administrator to ensure the applications are reviewed and scholarships are properly granted.

In making your determination, you will not consider race, religion, national or ethnic origin, or other illegally discriminatory criteria. A lottery system will not be used to select recipients. If you decide to make grants to an educational institution and have such institution select the scholarship recipients itself, you will work with the institution to create a selection process based on the selection criteria and procedures described above.

The number and amount of scholarships that you may award will depend on the quantity and quality of proposals you receive, the recommendations of the Board of Directors, the philanthropic priorities of the Board, and the funds available. It is not possible to estimate how many scholarships or the aggregate amount of scholarship funding that will be provided each year for the benefit of individuals under the program.

You will verify, at least annually, that each recipient has made satisfactory progress at his or her educational institution. If a recipient continues to meet the eligibility criteria and satisfies the supervision requirements outlined below, you may provide additional scholarships to or on behalf of a recipient. You may make single-year or multi-year grants.

Initially, and for the foreseeable future, scholarships under the program will not be paid directly to the recipient or the recipient's parents or guardians. Rather, you will pay such scholarships directly to the educational institution that the recipient is attending on behalf of such recipient. You will verify annually that the educational institution has utilized the grant for its intended purpose of serving as a scholarship for the payment of qualified educational expenses such as tuition, fees, and course-related expenses such as books, supplies, and required equipment. Scholarship funds will not be permitted to be used for non-qualified educational expenses, such as room and board, travel, research, clerical help, or optional equipment except as provided in Treas. Reg. Section 4945-4(a)(3)(ii)(c). Any apparent misuse of funds, or failure to provide reports as due, will be promptly investigated. If you discover that scholarship funds have, in fact, been misused, you will immediately take all reasonable and appropriate steps to recover the scholarship funds from the educational institution or recipient and will make no further distributions to that institution or recipient. You will also maintain the records required by Revenue Ruling 56-

304, 1956-2 C.B. 306 regarding distribution of charitable funds to individuals and required by Section 4945 of the Code and the accompanying regulations regarding grants to individuals by private foundations.

#### **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