

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

**Department of the Treasury**

Release Number: **201511032**  
Release Date: 3/13/2015  
Date: 12/18/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945-04.04

X= geographic area  
z= number

Dear :

You asked for advance approval of your scholarship and 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 and educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships and educational grants meet the requirements of Code sections 4945(g)(1) and 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 provided in Code section 117(b)).

**Description of your request**

Your letter indicates you will award scholarships to students to improve access to higher education for deserving students lacking the financial resources to cover tuition and expenses. You will award artist grants to support deserving artists in their efforts to develop their skills and talents. You currently plan to award up to z grants annually, each of which may be under either Code section 4945(g)(1) or Code section 4945(g)(3) at the discretion of your board of directors.

**A. Criteria for Eligibility**

**Scholarship Grants**

Scholarship grant applicants must be citizens or legal residents of the United States who are resident in X at the time of application for the grant, and who are enrolled in an

undergraduate or graduate program at an institution of higher education described in Section 170(b)(1)(A)(ii) of the Code, or intend to enroll in such a program in the immediate following academic year.

### Artistic Grants

Artistic grant applicants must be citizens or legal residents of the United States who are resident in X at the time of application for the grant, and who have demonstrated excellence in an artistic, literary, or musical endeavor prior to applying for the grant.

#### B. Selection Criteria

The criteria for selection of grant recipients are designed to identify those students or artists who have the greatest need for assistance and who show strong potential to succeed in their program of higher education or artistic endeavor.

Recipients are selected on the basis of:

- Financial need
- Prior academic performance, for scholarship grants
- Recommendations from instructors, for scholarship grants
- Demonstrated artistic excellence, for artistic grants
- A written statement or personal interview which provides relevant information as to the applicant's motivation, character, ability, achievement, potential, and plans for the future

#### C. Nondiscrimination Policy

You will select grant recipients on an objective and nondiscriminatory basis. In selecting recipients, you will not discriminate on the basis of race, gender, sexual orientation, ethnicity, nationality, or religion. You may, however, take into account the accomplishments of applicants who have overcome significant obstacles, including particular barriers presented by their economic circumstances, physical disabilities, or membership in a minority group.

#### D. Persons Not Eligible to Receive Awards

Past or present directors or officers, any family members of such individuals, and any person who is considered a "disqualified person" with respect to you within the meaning of Code section 4946(a) are not eligible to receive your grants.

#### E. Selection Process

##### Applications

All applicants must submit an application including:

1. A short written statement of financial need
2. A short biographical record
3. A description of the goals or course of study which the applicant expects the grant to help the applicant achieve
4. A completed questionnaire to determine whether the applicant is a disqualified person with respect to you, as that term is defined in Code section 4946(a)
5. Proof of residency in X
6. For scholarship applicants, transcripts for all completed terms in any program of secondary or postsecondary education in which the applicant has enrolled
7. For scholarship applicants, proof of enrollment in or admission to the institution of higher education which they plan to attend

#### References

Each applicant will be required to submit one or more letters of support and at least two additional references.

#### Review and Selection

All applications will be reviewed by your board of directors, which will evaluate the applications based on the selection criteria and grant procedures.

#### F. Notification and Documentation

You will provide each award recipient with an award letter notifying him or her of the grant award and the terms and conditions of its use, including the purposes of the grant. The recipient will be required to sign and return a copy of the letter indicating his or her acceptance of the award.

Each scholarship grant recipient will provide a copy of a transcript from the institution at which the recipient is enrolled that will include all courses taken in that academic year within sixty (60) days of the last day of each academic year for which the scholarship award was granted.

Each recipient of an artistic grant will provide you with a report documenting the recipient's progress with respect to the grant's objective and accounting for the use of grant funds within six months of the first disbursement of grant funds and every six months thereafter, including a final report after all grant funds have been used.

#### G. Payment and Use of Grant Funds

All awarded scholarship grant funds will be paid directly to the educational institution at which the student is enrolled for payment of the recipient's tuition, fees, and expenses. Scholarship grants will be used exclusively to pay tuition, fees, books, supplies,

equipment, board, and lodging required to attend and participate in the student's educational program.

Artistic grant funds will be paid directly to the grant recipient. Such grant funds will be used exclusively for the purposes for which the grant was made.

#### H. Recordkeeping

You will keep records concerning the conduct of your grant program, which will include:

1. All information that you secured to evaluate the qualification of applicants
2. The name, address and other contact or identifying information for each selected recipient
3. Any information on relationships that would cause an applicant or recipient to be a disqualified person with respect to you within the meaning of Code section 4946(a)
4. The amount disbursed to each recipient
5. The identified goals and purposes for which each grant is awarded
6. A copy of the award letter signed by the recipient
7. Transcripts provided by the recipient, if applicable
8. Any measures taken to investigate the use of grant funds for improper purposes or to enforce grant terms

#### I. Investigation and Enforcement Procedures

You will initiate an investigation if a grant recipient fails to submit documentation after a reasonable time has elapsed from its due date. Further payments or disbursements will be withheld to the extent possible until it has determined that no part of the grant has been used for improper purposes and until any delinquent transcripts have been submitted.

If you determine that grant funds have been used for improper purposes, all reasonable and appropriate steps will be taken to recover improperly expended funds and to ensure that any funds held by the recipient will be used exclusively for the purposes of the grant award. Such steps may include legal action unless such action in all probability would not result in satisfaction of execution of a judgment.

You will not make any further payments to a recipient who has improperly diverted grant funds until you have received any delinquent transcripts or reports, and have received assurances from the recipient that future improper diversions will not occur. You will require the recipient to take appropriate precautions to prevent further diversions.

If a scholarship recipient has previously diverted funds and it is determined that the recipient has done so a second time, all reasonable and necessary steps will be taken to recover the diverted funds and all future payments may be discontinued. Alternatively, if the diverted funds are in fact recovered or restored and the procedures outlined in the

preceding two sentences are followed, further payments may be made if it furthers your charitable purposes.

### **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 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,

Tamera L. Ripperda  
Director, Exempt Organizations