

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201526017**  
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**Employer Identification Number:****Contact person - ID number:****Contact telephone number:****Date: April 2, 2015****LEGEND**

UIL: 4945.04-04

W = Social Media website  
X = Scholarship Name  
Y = Scholarship Name  
Z = Disease Name  
b = Quantity  
c dollars = Amount  
d dollars = Amount  
e = Number  
f = Number

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 provided in Code section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program. Your purpose is to find therapies for Z, a debilitating disease that causes progressive muscle weakness and takes years to diagnose because even some physicians are unaware of its existence. The purpose of your program is to support students in post-secondary education, who teach their peers about Z in hopes of spreading awareness. Because the first symptoms

often appear in high school and college age individuals, your scholarships are intended to further your purpose to identify individuals who are afflicted with the disease by rewarding students in this age group who spread awareness and teach others about Z.

The scholarship is for tuition, books, and equipment required for education courses. There are two categories of scholarships which are X and Y that will be publicized through press releases; popular scholarship databases; conferences and handbooks from Association of College Counselors in Independent Schools (ACCIS) and National Association for College Admission Counseling (NACAC); and informational packets sent to high school college counselors. Applications for both scholarships as well as information on eligibility, deadlines and official rules are found on your web site.

To be eligible for a scholarship, applicants must meet the following criteria:

- a. Be within the age range of e.
- b. Be enrolled as a candidate for a degree at an educational organization described in section 170(b)(1)(A)(ii) of the Internal Revenue Code.
- c. Initially, United States citizenship will also be a criterion; however, this criterion may be eliminated in the future.

Current or former employees of yours or your directors as well as immediate family members (Spouses, parents, siblings and children) of a current or former employee or director are not eligible.

Applicants must complete a detailed application form, provide school transcripts, and describe all extracurricular activities including their role, any leadership positions and significant accomplishments, the dates of their involvement, information on how they spread awareness about Z and the names and signatures of those who were surveyed about Z. Applicants must also submit an essay on how awareness of the disease can be improved and what they personally learned about Z from surveying people.

The Selection Committee will be composed of members of your entire staff; any of your future hires may also be added to the committee. Members of the Selection Committee will not be in a position to directly or indirectly receive private benefit. The Selection Committee will use a Rubrics you developed to determine the winner of each category.

Recipients of the X scholarship will be selected based on the following criteria:

- a. Academic achievement (GPA),
- b. Participation in extracurricular activities,
- c. Demonstrated leadership, and
- d. Answers to a short survey about their experiences teaching at least (f) people about Z.

Recipients of the Y scholarship will be selected based on the following criteria:

- a. Entrants must have a minimum grade point average (GPA).
- b. Entrants must post a message on W to teach about Z and those who are able to reach the most people with their post will be awarded the scholarship.

In your first year, you will award b scholarships for c dollars for each category. The amount shall be payable over two years. You will pay d dollars in the first year.

To be eligible for the remainder for the second year, the recipient must meet the following criteria:

- a. Each recipient must be in good-standing at the educational institution. You will ascertain this information by way of each recipient granting you direct access to his or her college transcript, or you will obtain a letter from the educational institution stating that the student is enrolled and in good-standing.
- b. Each recipient must continue to spread awareness of Z. You will ascertain this information by obtaining a report demonstrating that the recipient has continued to spread awareness of Z during the first year.
- c. Recipients must maintain a minimum GPA.

Scholarships will be paid directly to the educational institution who will apply the grant funds only for enrolled students who are in good-standing. Scholarship recipients must send you proof of age and contact information for the educational institution's administrative office. If a recipient is found to be ineligible for the scholarship because criteria are not met, funds will not be sent to the educational institution. Depending on the success of your program, you may increase or decrease the number of new scholarships awarded the next year as well as the dollar amount.

You will retain all records submitted by the recipients and the educational institutions.

Supervision of scholarship and fellowship grants and investigation of jeopardized grants is determined to be satisfied per section 53.4945-4(c)(5) of the Treasury Regulations.

#### **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