

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

Department of the Treasury

Number: **201544032**
Release Date: 10/30/2015

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: August 4, 2015

LEGEND:

w dollars = dollar amount
X= scholarship name
Y= state
Z = educational focus

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

Your letter indicates you will operate a scholarship program called X. The purpose of X is to enhance the future of healthcare delivery systems to ensure they are led by the brightest and most innovative individuals earning a graduate degree in Z. The scholarships are open to any individual who is within two semesters of graduating to pursue their respective healthcare careers with a focus in Z.

You anticipate offering up to three scholarships in the amount of w dollars annually depending on the number of qualified applicants. You have identified three universities who will be initially participating in your program and intend to offer one scholarship per participating university. The universities were selected based on their geographic

proximity to the target area of the program (northern Y). X will be promoted through your website and through the participating universities scholarship offices. Funds awarded through X will be used to pay for tuition and related expenses of the recipients.

You have established specific criteria for selection of scholarship recipients to include the following.

- a. Demonstrate potential for future success
- b. Have a demonstrated financial need
- c. Participate in school and/or community activities
- d. Provide thoughtful and deliberate responses to essay questions
- e. Demonstrate a commitment to pursuing a career in healthcare administration/management
- f. Demonstrate leadership qualities.

Further, to obtain and maintain a scholarship, the applicant must:

- a. Reside within one of 16 Y counties
- b. Enrolled with a full course load at one of the three participating universities
- c. Plan to graduate with a course of study in Z
- d. Be within two semesters of graduating
- e. Submit an application form to your board
- f. Maintain a 3.0 GPA
- g. Remain enrolled at the same educational institution where the award was given

Preference will be given to those in the greatest financial need and those who have had little or no financial assistance in the past. You will require submission of a Free Application for Federal Student Aid to be eligible for the program and information from that application will be used in making the determination of recipients. You will require resumes, letters of recommendation and other pertinent information as part of the application process to be used in making a determination or recipients.

You have indicated that you have an initial selection committee in place to begin the program. The selection committee was determined based on the individuals commitment to the efforts/philosophy of X and those that have a thorough understanding of X mission and the community initiatives. You will review the selection committee annually and any new members or removal of old members will be made by a vote of the board of your organization. Relatives of the selection committee and disqualified individuals will not be eligible for participation in the program.

The scholarship is not renewable as a result of it only being awarded to those within two semesters of graduation. You will require recipients to maintain appropriate records to show how the funds were used and to show that a grade point average of at least 3.0 was maintained during the period of the scholarship. If a recipient falls below a 3.0 grade point average they will be placed on probation and be required to reestablish a 3.0 grade point average or the scholarship will be terminated and any funds already given to the

recipient returned. You will require detailed reporting to assure that funds granted are only used for appropriate educational purposes. If reporting requirements are not met you will withhold future payments until the reports are properly submitted. If you learn that any part of the funds are not being used to further the purposes of the grant you withhold future payments and take all reasonable and appropriate steps to recover the grant funds and/or ensure restoration of the diverted funds to the purpose of the grant.

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.

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

Enclosures:
Redacted letter
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