

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201548023**  
Release Date: 11/27/2015

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: 8/31/2015**

**LEGEND**

UIL: 4945.04-04

A= name of state  
B= name of university  
C= name of university  
D= name of university

Dear \_\_\_\_\_ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue section 4945(g)(1) and your educational grant procedures under Internal Revenue Code section 4945(g)(3). These approvals are required because you are a private foundation that is exempt from federal income tax.

**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). We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your programs as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Scholarship – 4945(g)(1)

Your letter indicates that you will operate a scholarship program.

The purpose of your scholarship program is to award scholarships to graduates of A high schools attending the following universities: (i) B; (ii) C; or (iii) D. The scholarships are awarded on a semester-by-semester basis and are renewable for eight semesters. The

scholarships cover studies in both undergraduate and graduate programs at the universities.

Requirements for scholarship eligibility are:

- a citizen of the United States and a resident of the State of A whose parents (or legal guardians) currently are and have been legal residents of the State of A for at least two consecutive years prior to the applicant's expected graduation from high school;
- enrolled in a secondary school licensed and recognized by the State of A;
- in his or her senior year;
- have an overall grade point average of 3.5 or higher; and
- rank in the top 5% of his or her high school graduating class.

Requirements for renewal of the scholarship are:

- achievement of a grade point average of at least 3.2;
- maintenance of good academic standing and indication of satisfactory involvement and personal achievement in extracurricular activities;
- continuing full-time enrollment as a student at B, C, or D; and
- for students enrolled in undergraduate degree programs, maintenance of an academic course schedule of no less than 24 credit hours per year; for students who complete those programs in fewer than eight semesters and enroll in graduate-degree programs, an academic course schedule regarded by the university as full-time.

Each year, you engage in a widespread publicity campaign throughout the State of A by sending information regarding your scholarship program to each high school guidance counselor in A as well as teachers who have written recommendations for candidates in the past. In addition, to the extent the names and addresses of such students are made available to you, you send a personal letter to each high school junior in A who achieves scores in approximately the top 7% on standardized exams such as the SAT to inform these students of their eligibility to apply for the scholarship and invite them to your public information sessions about the scholarship program.

Scholarship recipients will be selected on an objective and non-discriminatory basis. No member of the selection committee will be in a position to derive a private benefit, directly or indirectly, if potential grant recipients are selected over others. No grants will be made to your contributors, to members of your board of directors, to your officers, to any disqualified persons with respect to your organization, to any member of the selection committee, or to family members of any persons listed above or for a purpose that is inconsistent with your charitable, literary, scientific, and educational purposes.

The scholarship funds awarded by you are paid directly to the university. The recipient university uses the scholarship funds to satisfy the scholarship award recipient's financial obligations for tuition, fees, room and board, and related expenses. Any remaining funds

are distributed by the university to the scholarship award recipient to offset the costs associated with pursuing post-secondary education, including books, supplies, equipment, transportation, off-campus housing, health insurance and unreimbursed medical expenses, tutoring, and related expenses.

Your organization works closely with the universities to whom the scholarships are made to supervise the use of the scholarship funds awarded, including the periodic review of transcripts and course schedules. To the extent that all scholarship funds awarded are not used by the university to satisfy the scholarship award recipient's financial obligations for tuition, fees, room and board, and related expenses, you require the scholarship recipient to submit a written report after the end of each school year detailing the use of the scholarship funds during the previous semester. A member of your staff will review each report to make a determination as to whether the grant's purposes are being or have been fulfilled and to look into any questions requiring further scrutiny or investigation. If you determine any part of a grant has been used for improper purposes, you will take all reasonable and appropriate steps to recover diverted grant funds. These steps will include legal action unless such action would not result in the satisfaction of execution on a judgment.

Your organization retains records relating to all grants for a period of four years after each grant is awarded. Such records will include (i) the grant applications and any other information used by your organization to evaluate the grant recipient, (ii) a list showing the name and address of each grant recipient and the amount and purpose of each grant, and (iii) all reports and other information obtained by your organization in administering the grants.

#### Study-Travel Grants – 4945(g)(3)

Your letter indicates that you will provide study-travel grants to scholarship recipients.

The study-travel grants awarded by your organization are intended to complement and broaden the scholarship recipient's chosen field of study by affording experiences that will increase their understanding of the culture and history of other locales and peoples and that might not be available as part of a conventional baccalaureate or graduate degree program.

Your organization plans to work closely with the universities to identify appropriate study-travel activities in which scholarship recipients may participate, and may ask the universities to administer the study-travel benefit of the scholarship on behalf of your organization, following guidelines provided by you, with the your organization retaining oversight of recipient's spending of the study-travel grant funds.

Study-travel grants are available to all current scholarship recipients who choose to apply for the grant. Those who apply provide detailed information about the proposed

study-travel experience to university administrators, who forward the information to your staff. This detailed information includes:

- the name and location of the program or experience in which they will participate;
- the duration of the program or experience;
- a program itinerary; and
- a description of their learning and development objectives in participating in the program or experience.

Applicants are approved for study-travel grants if relevant university administrators confirm for your staff that the proposed program or experience will complement and broaden the Scholars' chosen fields of study by affording experiences that will increase the Scholars' understanding of the culture and history of other locales and peoples and that might not be available as part of a conventional baccalaureate or graduate degree program.

In order to determine whether grantees have performed the activities that the grants are intended to finance and have not diverted grant funds away from the original purposes of the grant, you will require the grant recipient to submit periodic progress reports. Your staff member will review each report submitted to make a determination as to whether the grant's purposes are being or have been fulfilled and to look into any questions requiring further scrutiny or investigation. If these reports are not made or there are other indications that the study-travel grants are not being used as intended, you will investigate and take corrective action. If you determine any part of a grant has been used for improper purposes, you will take all reasonable and appropriate steps to recover diverted grant funds. These steps will include legal action unless such action would not result in the satisfaction of execution on a judgment.

Your organization retains records relating to all grants for a period of four years after each grant is awarded. Such records will include (i) the grant applications and any other information used by your organization to evaluate the grant recipient, (ii) a list showing the name and address of each grant recipient and the amount and purpose of each grant, and (iii) all reports and other information obtained by your organization in administering the grants.

#### Internship Grants – 4945(g)(3)

Your letter indicates that you will provide study-travel grants to scholarship recipients.

Your organization anticipates awarding scholarship recipients with grants to enable them to pursue approved internship opportunities in their chosen field of study or a related field. The internship grants are designed to provide the scholarship recipients with the financial resources to build on the talents and skills learned in the classroom in a professional setting.

Internship grants are available to all scholarship recipients who choose to secure an internship. Those who apply are required to provide your organization's staff with detailed information about the proposed internship including:

- the name and location of the organization that will sponsor the internship;
- the name and position of the intern's proposed supervisor;
- a description of the intern's learning objectives in securing the internship;  
and
- the estimated duration of the internship.

Applications are only approved if the detailed information about the internship aligns with the objectives of the scholarship program – to maximize each scholarship recipient's university education, to develop their intellectual ambitions, and to help the scholarship recipient place their learning and lives in a global context. While internship grant applications are approved by your organization's staff, the internship grants are a benefit of your scholarship program and you anticipate that all scholarship recipients that apply will receive an internship grant.

In order to determine whether grantees have performed the activities that the grants are intended to finance and have not diverted grant funds away from the original purposes of the grant, you will require the grant recipient to submit periodic progress reports. Your staff member will review each report submitted to make a determination as to whether the grant's purposes are being or have been fulfilled and to look into any questions requiring further scrutiny or investigation. If these reports are not made or there are other indications that the internship grants are not being used as intended, you will investigate and take corrective action. If you determine any part of a grant has been used for improper purposes, you will take all reasonable and appropriate steps to recover diverted grant funds. These steps will include legal action unless such action would not result in the satisfaction of execution on a judgment.

Your organization retains records relating to all grants for a period of four years after each grant is awarded. Such records will include (i) the grant applications and any other information used by your organization to evaluate the grant recipient, (ii) a list showing the name and address of each grant recipient and the amount and purpose of each grant, and (iii) all reports and other information obtained by your organization in administering the grants.

### **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
  - 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 covers only the grant programs 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 precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in 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 make 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 must 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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations