

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201613017**

Release Date: 3/25/2016

Date: December 30, 2015

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

B = Location

C = Number

D = Number

G = Number

x dollars = Amount

y dollars = Amount

z dollars = Amount

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code section 4945(g)(1) and your grant procedures under Internal Revenue Code section 4945(g)(3). 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. 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)).

We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program 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**

You were formed to help provide opportunities for underprivileged youth and young adults to give them a chance for success and to strengthen communities. In order to further this goal, you will provide scholarships for students to attend a United States university, technical college, or other qualified program.

You will provide grants for individuals to improve or enhance their capacity, skill, or talent in the fields of, with the objective of actuating a career in, science, art, sports, academia, or other similar fields.

Your scholarships are designed to assist students who demonstrate academic excellence and/or financial need. Scholarships will be restricted to students attending accredited schools or educational institutions that qualify under sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code and scholarship funds will be used by recipients for tuition, books, or living expenses while attending school. The amount of each scholarship will be in the range of x dollars to y dollars annually.

Your grants are designed to assist youth and young adults who demonstrate talent, potential, and perseverance in their chosen fields of interest and financial need. Grant amounts will be used by recipients for travel, training, equipment, registration fees, living and other expenses related to the pursuit of a career in the recipient's field of interest. Grants must be used to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, athletic, or other similar capacity, skill, or talent. Grant recipients will be limited to youth and young adults between the ages of C and D. The amount of each grant will be in the range of x dollars to z dollars.

You will make scholarship and grant information available through your website which is currently under construction. Applications will be accepted throughout the year either by mail, electronically, or by personal delivery. There is no limit on the potential number of individuals who are eligible to apply and no limit on the number of potential applicants. The following individuals will not be eligible to apply for or receive a scholarship or grant award: (a) any of your employees as well as any family member of such an individual, (b) any of your executives, officers, or directors, as well as any family member of such an individual, and (c) any otherwise disqualified person with respect to you as defined by section 4946 of the Code, as well as any family member of such an individual.

You will evaluate scholarship and grant applications based on an objective rubric. For scholarships, the greatest weight will be placed on an applicant's past academic performance and financial need with lesser weight on recommendations from instructors and personal qualities. For grants, the greatest weight will be placed on an applicant's past performance in his or her chosen field of interest and financial need with lesser weight on personal recommendations and personal qualities. Your financial need criterion will be based upon a review of a financial needs assessment and consideration of any other financial aid or income the applicant expects to receive. Individuals attending schools, living, or planning to work in B may receive preference. You will at no time

discriminate against any applicant on the basis of race, religion, creed, color, sex, age, physical or mental disabilities, sexual orientation, or national origin. Your website will include an appropriate nondiscrimination statement.

Recipients of your scholarship and grant awards will be selected by your Board of Directors with the assistance of your officers and/or employees assigned to assist the Board with the operation of your program. The number and amounts of awards made each year will be determined by the Board of Directors based on available funds and other appropriate factors. Individual scholarship amounts will be determined by the cost of tuition at each educational institution and the student's financial need. Individual grant amounts will be determined by the recipient's proposed budget and financial need. Other financial aid and income will also be considered when determining specific scholarship and grant amounts. No funds will be used to compensate recipients for performing particular services

You will pay scholarship funds to the accredited educational institution where the recipient is enrolled and only if the institution agrees to supervise the use of the scholarship. The scholarship recipient must be enrolled in an eligible educational institution, must maintain at least a G grade point average (or equivalent), and the scholarship funds must be used to cover the cost of the recipient's tuition, fees, books, room and board, research, fees, and other expenses associated with the completion of the recipient's degree. You will require an annual report from each educational institution to confirm each recipient's enrollment and academic performance. Any unused funds will be transferred from the educational institution back to you.

You will pay all grant funds directly to the recipient. Grant funds must be used to cover the cost of the recipient's travel, training, equipment, registration fees, living and other expenses related to improving or enhancing his or her capacity, skill, or talent in the fields of, with the objective of, pursuing a career in science, art, sports, academia, or other similar fields. You will require an annual report from each recipient describing the use of funds along with the objectives achieved, work produced, and/or any other improvement to the recipient's capacity, skill, or talent in his or her chosen field of interest. The recipient shall return any unused funds to you.

If you learn that an award has not been used for its intended purpose you will investigate and take corrective action which may consist of any action up to and including legal action. You will withhold any further payments during an investigation. You may renew an award as long as you have not received information on misuse of the award, all required reports concerning the recipient have been received, and the recipient continues to satisfy the conditions of the award and remains eligible to receive the award.

You will maintain any applications received for a minimum of five years beyond the date of application or completion of the award, whichever is greater. The information maintained will include the identity of each grantee, information to verify that no grantee is related to a member of the selection committee or a disqualified person in relation to you, copies of award letters, transcripts, annual reports, and any other correspondence

between the applicant and you. You will also maintain records of the amount and purpose of each award granted.

### **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,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements