

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

Department of the Treasury

Number: **201620018**
Release Date: 5/13/2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: February 17, 2016

LEGEND

UIL: 4945.04-04

B= Name of Program
C= Name of Company

x dollars = Amount
y dollars= Amount

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 called B. Your purpose is to make grants to charitable organizations. B's purpose is to award scholarships to individuals to attend a post-secondary educational program at (i) an accredited four-year college or university for up to four years or (ii) a junior college or vocational program for up to two years. Recipients will also be offered guidance and support from your volunteers as well as career mentoring and counseling from C employees.

Graduating high school students and individuals who have obtained a G.E.D., who will attend a post-secondary educational institution and have an affiliation with one or more of your current or former grantee organizations are eligible for a scholarship. Relatives of members of your Scholarship Selection Committee, members of your Board of Directors and employees and principals of C are not eligible to apply.

You plan to publicize B among your current and former grantees which include, educational and community based organizations that provide tutoring, literacy, and mentoring and after-school programs. You believe this will enable you to identify potential scholarship recipients who have proven their commitment to succeed. You may also publicize the availability of the program to other members of the community.

Your current and former grantee organizations will identify candidates who have benefited them and nominate them for the scholarships. Those nominated will complete an application, provide you high school transcripts and letters of recommendation.

After applications are submitted, you will form a Scholarship Committee consisting of a board member, your program director and/or vice president and at least two other committee members. You will send the applications to all committee members and then hold a formalized meeting to select the recipients. Recipients will be selected based upon their personality and character traits that enable them to be successful, and upon a minimum grade point average of 2.0. Interviews may be scheduled if further information is needed.

Your board will determine the number of scholarships and the amount that will be annually awarded based upon your financial resources available for distribution. Currently you plan to award x dollars per year for four years to an applicant planning to attend a four-year accredited college or university, and y dollars per year for each year of the course of study to an applicant planning to attend a junior college or vocational program.

The funds will be sent directly to the school on behalf of the recipients. You will obtain reports and/or grade transcripts from the institutions where the recipients are enrolled and will pay grants directly to the educational institution for each student and only for students who (i) continue to maintain a GPA of 2.0, and (ii) remain enrolled and in good standing at the institution of the student's choice. Students will also be required to submit an annual report of their academic year and the impact of their scholarship. You can terminate the scholarship if the recipient becomes academically ineligible or the student's GPA drops below a 2.0. If a student withdraws or is expelled from school, the award will not be renewed for the following school year.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and

that grantees will take extraordinary precautions to prevent future diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements