

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

Department of the Treasury

Release Number: **201625020**
Release Date: 6/17/2016
Date: March 23, 2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

X= Location
y dollars = Amount
z dollars = Amount

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(c)).

Description of your request

You were formed to help children and adolescents through transitions. You are adding a scholarship program to help with the transition from high school to college.

You will provide an educational scholarship to one recipient annually to be used for qualifying expenses such as tuition, fees, and course related expenses including books, supplies, and equipment. The scholarship is open to all incoming college freshman in the X area who will be attending a nonprofit college.

Applicants will fill out an application and submit an essay outlining their qualifications for the scholarship and their reasons for applying for the scholarship. Applicants should have a GPA of 3.0 or higher and involvement in volunteer activities. Information about acceptance to and plans to attend a nonprofit college or university, an official transcript, and letters of reference for volunteer work or extracurricular activities should also be included with the application.

The scholarship will be in the amount of y dollars, or z dollars per semester, and will be given directly to the college or university the recipient attends. The recipient is required to maintain a 3.0 GPA to continue to be eligible for scholarship and must provide a transcript each semester that will be reviewed by the selection committee. Scholarships will not be renewable past the second semester of the recipient's freshman year.

The scholarship will be publicized through your website and social media. You will also mail out scholarship applications to local high school guidance counselors.

You will select the scholarship recipient based on merit and financial need. Additionally, the recipient will be selected in a non-discriminatory fashion in regards to racial preference. Information contained in the scholarship application, including GPA, will be verified with the appropriate high school staff prior to disbursing scholarship funds. The scholarship selection committee is made up of the four members of your Board of Directors.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions 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 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 also represent that you will maintain all records relating to individual grants including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and 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.

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