

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

**Department of the Treasury**

Number: **201636048**  
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**Employer Identification Number:**

**Contact person - ID number:**

**Date: June 6, 2016**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

W= Publication  
X= Publication  
Y= City  
Z= Name

b dollars= Amount  
c = Number

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.

The purpose of your program is to provide scholarships to students enrolled and in good standing at accredited higher educational institutions described in Section 170(b)(1)(A)(ii) in the United States and internationally beginning in the next academic year.

You will publicize the scholarships by putting a notice regarding the availability of the scholarships in educational publications such as W and X. You will also be publicizing the scholarships in the manner that you normally use for publicizing grants to 501(c)(3) educational institutions.

All students enrolled at accredited institutions of higher education in the United States and abroad who are in good academic standing and who can demonstrate financial assistance are eligible for your program.

Your officers will determine how the applicants will apply for your program. For example, applicants may apply through a formal application or a letter indicating a desire to be considered.

Your selection committee currently consisting of four members of the Z family will select the recipients based on financial need. Preference will be given to students who:

1. Demonstrated academic achievement, including grades, rank in class, standardized test scores and achievement test scores;
2. Exhibited involvement in community and extracurricular activities;
3. Demonstrate leadership skills;
4. Have disadvantaged backgrounds and have overcome barriers and difficulties during their lives and to students who are residents of Y.

Criteria for membership on the selection committee include being a member of the Z family and having an interest in the education of young people with less financial means. No formal process for replacing members of the selection committee has been determined yet, but if a member resigns, a new person will be sought from the Z family. Relatives of members of the selection committee and of officers, directors and substantial contributors will not be eligible for scholarships made under your program.

The amount you award each year may vary somewhat depending on your annual income but the total amount awarded each year will be in the range of b dollars. This total amount will be given to c students or shared between several students each year. The individual amounts of each scholarship will vary based on the number of recipients and your income. The scholarships will be awarded on a year-by-year basis, so there will be no renewal of a scholarship. Students may reapply and will continue to be eligible for a scholarship as long as they are enrolled in accredited institutions of higher education in the United States and abroad, are in good academic standing, and can demonstrate financial need. Your officers will develop a list of preferred institutions.

The scholarship money will be paid directly to the school and will only be applied to tuition for a student in good academic standing. The scholarships will be awarded on an annual basis, and your officers will ask the school to provide a quarterly status on each student, as well as, provide you with a report as soon as a scholarship recipient does not maintain good academic standing. If a scholarship recipient leaves the school during the course of an academic year, a refund of the scholarship money will be sought to the extent consistent with the policies of the school.

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 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 diversions 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 as 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