

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201736030**

Release Date: 9/8/2017

Date: **June 16, 2017**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

w=Amount of scholarship grant

X= School

Y= Location

Z= Year

Dear :

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

Description of your request

You will award multi-year scholarships to selected students attending accredited four-year colleges or universities. Your scholarships are intended bridge the gap where insufficient financial support exists for exceptionally promising students.

Initially, the typical annual scholarship award will be approximately \$w. The entire scholarship must be applied to tuition, living expenses and course-related expenses, such as books, supplies and equipment, and other required fees. You may permit

financial aid awards to be used for non-qualified education expenses, including room and board, in which event the award would not be tax free to the recipient. You will not provide fellowships or loans as part of your program. The Scholarship recipient will be free to pursue any area of study.

You will award scholarships on an objective and nondiscriminatory basis to students attending certain colleges and universities ("collaborating institutions"), which will work with you to identify enrolling students who meet one or more of the following criteria:

- a strong academic ability and achievement as demonstrated by his or her cumulative GPA, a college entrance exam score or academic awards,
- unmet financial needs in excess of a predetermined amount; and
- leadership or service to others.

You plan to launch your scholarship program at X in Y in early Z.

You may renew the scholarship award annually until completion of the Scholarship recipient's undergraduate degree. In order to be eligible for a financial aid award renewal, the Scholarship recipient must meet the following requirements each year:

- Maintain a minimum overall GPA each year;
- Enroll each quarter or semester as a full-time student; and
- Provide evidence of being in good standing at the university or college he or she is attending.

Before each academic year begins, you will notify each collaborating institution of the number of prospective initial scholarships and renewals of scholarships which you have budgeted for its student body the following fall quarter or semester. You and the collaborating institution will jointly decide the size of the pool of qualified candidates to compete for these scholarships. The candidates must meet your criteria. The candidates will then complete your application form, providing biographical and other information which you consider useful to select the most meritorious recipients.

You will recruit a scholarship committee at each collaborating institution drawn from the ranks of retired educators and administrators of student aid programs and volunteers. You will educate them about your selection criteria, specifically:

- (a) Evidence of personal integrity and strength of character;
- (b) Evidence of motivation and ambition to succeed in life;
- (c) Applicant's academic ability and achievement;
- (d) Severity of applicant's unmet financial need;
- (e) Applicant's demonstrated leadership, initiative, and service to others;
- (f) Evaluation of the application's essay.

At least two scholarship committee members will review each application in the pool. After review of all completed applications, the Scholarship committee will select a round

of finalists who will be invited to meet with members of the Scholarship committee. After meeting with all the finalists, the Scholarship committee will select the students who will be awarded scholarships.

You will enter into an agreement with each scholarship recipient and request reports from him or her regarding use of the funds. At the end of each academic year, you will review the recipient's grades, progress toward his or her undergraduate degree, and good conduct and personal potential development. Based upon the findings of the review process, you will decide, at your discretion, on an objective and nondiscriminatory basis, to review the applicant's scholarship for the ensuing academic year. You may, at your sole discretion, revoke the awarding of a scholarship based on an ad hoc review of a recipient's standing comparable to the end-of-the-year review. You reserve the right to withdraw financial aid support at any time if the Scholarship recipient is involved in criminal conduct or has violated the collaborating institution's ethical or academic standards.

The scholarship may not be used for activities that will benefit, supplement, or aid academic institutions or departments with which the Scholarship recipient is affiliated. The Scholarship recipient is expected to report suspected fraud in the application of funds. If you learn that scholarship funds are not applied to the Scholarship recipient's cost of education, you will take all reasonable and appropriate steps to recover such diverted funds. You will withhold further payments to the Scholarship recipient until he or she provides you with assurances that future diversions will not occur and that he or she, in cooperation with his or her college or university, will take extraordinary precautions to prevent future diversions. If a Scholarship recipient withdraws from his or her enrollment in the college or university, you may require the recipient reimburse some or all of the funds.

You will maintain files relating to processing applications of your scholarship recipients, including names, addresses, amount of scholarship awards, and the affiliated college or university. You will not provide any scholarships for the direct or indirect benefit of contributors to the organization, directors, officers, scholarship application review committee members, or their family members. You will review all applications to identify possible conflicts of interest. Further, you will require your scholarship committee members and the collaborating college and university liaisons to notify you of any potential conflicts.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements