

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201742032**

Release Date: 10/20/2017

Date: **July 25, 2017**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Scholarship

C = City

D = State

E = Company

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(b)).

Description of your request

Your letter indicates you will operate a scholarship program called B. Your purpose is to cultivate the next generation of business and community leaders.

The purpose of B is to provide educational grants in the form of scholarships to graduating high school seniors, or equivalent if homeschooled, who have been accepted to attend a four-year college/university. The purpose of the scholarships are to provide high-achieving high school seniors in need of financial assistance who have demonstrated leadership traits during the course of their high school career who have the opportunity to attend and graduate from a four-year college/university.

You aim to help students who have worked diligently in school and have been involved in their community, but who may have financial constraints and hardships that make attending college difficult or unattainable. The amount of scholarships to be awarded will depend on the financial need of the student(s) selected based on the criteria as stated below. The objective is to select one or two students per year to receive full scholarship funding for up to four years of undergraduate studies.

Eligibility for your scholarship is as follows: (1) applicants must be at least a high school senior, or equivalent if homeschooled, at the time of application; (2) applicant must be accepted to and selected the college/university which the applicant will attend; and (3) applicant must be admitted as a full-time student (minimum of twelve (12) credit hours per semester).

Scholarship award recipient(s) will be selected in a non-discriminatory fashion regardless of age, sex, race, creed, color, ethnic origin, religion, personal beliefs, or any other protected classification. Scholarships award recipient(s) will be selected based on the following factors: (1) need for financial assistance; (2) cumulative grade point average during high school (or equivalent); and (3) leadership and/or extracurricular activities and experience. Applicants will also be requested to provide a short essay.

You anticipate making at least one or two scholarship awards each year with an objective to offer more if possible depending on amount of available funds each year. This number will depend on the number of applicants and availability of scholarship funds for the given year.

The amount of each grant will depend on the financial need of each selected scholarship award recipient and the cost of tuition for the recipient's college/university. The objective is to provide financial support for up to four (4) years to each scholarship award recipient. In order to maintain and qualify for the annual renewal of the scholarship award, you will require that each scholarship award recipient maintain an overall grade point average of 2.5 (the "GPA"), attend/enrolled in a four year college/university and enrolled as a full-time student (minimum of 12 credit hours per semester).

Your scholarship fund will be publicized through e-mail correspondence sent directly to high school guidance counselors in the greater C metropolitan area in the State of D. Such correspondence will include details of the scholarship (including eligibility requirements) as well as the application form. Your scholarship will also be publicized on your website.

Your scholarship selection committee will consist of your board members and attorneys from E, who have offered to review scholarship applications. The selection committee will consist of a minimum of three (3) members, one (1) of which shall be a board member. Committee members will be replaced on an as needed basis.

In an effort to supervise the scholarship awards, recipients will be required to renew their award on an annual basis by providing you with their official grade transcripts from their college/university evidencing their GPA and enrollment as a full-time student.

Scholarship awards will be made directly to the college/university on behalf of the recipient and so that the college/university will apply funds only for enrolled recipients who are in good standing the college/university. If the recipient violates the conditions of the scholarship, fails to renew their award or otherwise discontinues their enrollment at the college/university, you will discontinue the scholarship. In addition to the foregoing, in the event a recipient falls below the minimum GPA requirements to maintain the scholarship, you will provide the recipient the opportunity to raise their GPA to the minimum GPA during the following semester before any revocation of the scholarship will occur. Revocation of scholarships will be on a case-by-case determination taking into account overall financial needs, GPA, course load and other factors you deem appropriate.

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 diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established 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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements