

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

Department of the Treasury

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Date: **October 4, 2018**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Name
C = Demographic
D = School
E = School Office
F = Number

t dollars = Amount
u 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 Sections 4945(g)(1) and 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Also, Section 4945(g)(1) scholarships made under these procedures are scholarships that 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 an educational scholarship program called B. The purpose of B is to provide scholarships to attract C undergraduate students from D who wish to attend medical school after graduation to increase the number of C students who become medical doctors in the United States. Under B, you will make distributions which have components of both Internal Revenue Code Sections 4945(g)(1) and 4945(g)(3).

Expenses under Code Section 4945(g)(1) may include tuition, books and school fees. Expenses under Code Section 4945(g)(3) may include a stipend to cover living expenses, supplies and equipment, medical school application fees, and medical school interview expenses related to travel, hotels, meals, and so forth.

Under B, you will provide grants for the recipients' third (junior) and fourth (senior) academic years of undergraduate study subject to the recipients maintaining the continuing eligibility requirements. You will disseminate information on B on D's website.

To be eligible for a grant under B, applicants must:

- Be a C sophomore enrolled as a full-time student at D at the time they apply;
- Have maintained a minimum 3.50 grade point average (GPA) in all their coursework;
- Have completed or enrolled in during the second semester of their sophomore year four of six specific pre-requisite courses;
- Show financial need with their education costs;
- Be registered with E and completed at least one half of E's workshops;
- Have completed a one-to-one assessment meeting with E.

In addition, all applicants must submit a completed scholarship application by a specific due date, which must include the following:

- All college transcripts from D and any other post-secondary institutions as well as a college coursework plan;
- Lists of all scholarships and grants;
- E Advising Record;
- A personal statement.

The scholarships are awarded on an objective and non-discriminatory basis by a selection committee initially consisting of several individuals. The majority will be administrative and academic professionals who represent D. There will also be a representative of yours as well as practicing physicians who have completed the premedical program at D on the selection committee.

Your selection committee will select the recipients from among the eligible applicants based on prior academic performance, financial need, recorded demonstration of consistent and timely engagement with E, evaluation of the personal statement and other supporting materials, completion of prerequisite courses, and an interview with the selection committee. Preference will be given to those applicants who have demonstrated engagement with E beyond the minimum requirements as well as to applicants who have completed prerequisite courses above the minimum amount required. Scholarships will not be awarded to any disqualified person, employee or relative of any employee of yours or to any member of the selection committee or relative of any such member.

You plan to initially award F scholarships. Each scholarship recipient will receive t dollars for their last two years of undergraduate study with one half to be paid per academic year, subject to the recipient maintaining the continuing eligibility.

You will transfer all amounts to fund the scholarship grants to D who will administer payment of the scholarships. In addition, D will verify continuing eligibility prior to the disbursement of any scholarship funds. The scholarships will be paid in installments of u dollars for each semester for tuition. The remainder will be distributed in equal monthly stipends during the academic year to the recipient. The monthly stipends may be used for various expenses incurred while attending D such as living expenses, books, supplies and equipment for courses, and expenses associated with applying to medical school. These may consist of MCAT fees, MCAT study fees, medical school application fees, and medical school interview expenses related to travel. D will not distribute or apply funds to or on behalf of a recipient who has ceased to meet the continuing eligibility requirements.

To be eligible for the second-year disbursement, a recipient must be enrolled full time, at least 12 credit hours per semester, and the recipient must maintain a 3.50 GPA for all course work at D and for any transfer credit. Recipients may not interrupt nor pause their full-time enrollment at D. A recipient's failure to maintain full-time enrollment for consecutive semesters of the two academic years will result in termination of the scholarship. If your selection committee determines that a recipient is no longer eligible for the scholarship, then no further scholarship payments will be made to that recipient. There will be no re-admittance or regaining of eligibility after termination.

You will distribute scholarship funds the same way in the second academic year as you did in the first one. Depending on B's success, you may allocate additional funds to B in future years.

You will monitor compliance with the scholarship program and you will receive documentation verifying that each of the recipients continues to be eligible to receive scholarship payments. Furthermore, while the monthly stipends are distributed by D, the recipients will be required to submit a report to D containing the information required under the regulations to insure the expenses meet your criteria. D will provide these reports to you.

Moreover, each recipient will be required to pay to D an amount equal to the amount of the monthly stipends used for expenses that are not permissible or are not expended prior to the end of their fourth academic year at D. In the event a recipient fails to submit a report timely or does not use the funds for the purposes permitted under the terms of the scholarship, you will conduct an investigation, take all reasonable appropriate steps to recover any funds that were used for an improper purpose, and withhold further payments to the recipient in accordance with the regulations.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether 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 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 Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

Under 4945(g)(3), to receive approval of its educational grant procedures, Treasury Regulations Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

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 representatives as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements