

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

Department of the Treasury

Number: **202041014**
Release Date: 10/9/2020

Date: July 14, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X= Name
Y= Organization
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 called X.

You were created by Y who wished to share its success with others who are less fortunate.

The purpose of X is to support deserving young women pursuing a college education who demonstrate financial need through a nationwide scholarship competition. No preference is given to any high school or university. The scholarship can be used at any time during the recipient's college career and is not reoccurring. A scholarship amount is typically z dollars. However, the scholarship committee may vary the award amount depending on the recipient's financial need, cost of attendance, and/or other related circumstances that warrant a larger amount. There are no annual limits of scholarships awarded by you. At this time, you plan to award up to c scholarships depending on the number of qualified applicants and the funds available.

X is publicized through broad social media networks managed by you and Y as well as on your website, where your online application is accessible during February and March. Distributors and corporate employees of Y are not eligible to apply for your scholarships.

To apply for your scholarships, an applicant must:

- Be a female living in the United States who is preparing to enter college in the fall and have a minimum GPA of 3.0
- Provide an official high school or university transcript
- Provide SAT or ACT test scores
- Provide two letters of recommendation from a teacher/administrator and community member
- Provide one-page of the most recently filed IRS Form 1040 that lists the applicant as a dependent
- Provide a personal statement (500 word maximum) that reflects the applicant's life experience, challenges, aspirations, and explanation of why the applicant needs financial assistance
- Provide a list of any extracurricular/volunteer activities, accomplishments and awards, and any other additional experience
- Plan to attend or be attending an accredited 2-year college or 4-year university.

The applicant must complete an application along with all required attachments and submit it by March 31. The applicant must also include an explanation explaining why she needs financial assistance.

All complete application packages are reviewed by a scholarship committee whose members rotate every year as well as consist of professionals and educators from your local community. Applications are evaluated and scored using a point system, with a weight of % for financial need, % for GPA and test scores, % for the essay and % for references, activities and awards. The highest scoring applicants will be awarded the scholarship.

To notify the recipients, you send the recipient an award letter explaining how funds will be distributed and also request proof of enrollment. Generally, you pay scholarships directly to the educational institution's financial aid office the recipient is attending with

instructions to distribute funds only for educational purposes including tuition and fees, books and supplies, room and board, and other school expenses.

If you become aware that funds are not being used for its intended purposes, you will investigate and immediately withhold further payments. If you determine that any part of the scholarship funds have been misused, you will take the appropriate steps to either (1) recover the funds or (2) ensure the restoration of the diverted funds. You also may pursue legal action against the recipient if appropriate. Additional funds may be provided only after the recipient assures to you that diversions will not occur and agree to extraordinary precautions to prevent future diversions.

You represent 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, (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: (1) maintain 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 purposes 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 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