

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

Department of the Treasury

Number: **202041015**
Release Date: 10/9/2020

Date: July 16, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

x dollars = Amount
y dollars = Amount

UIL: 4945.04-04

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g)(1) and educational grant procedures under Code Section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your programs to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships and your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your programs as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1) and your procedures for awarding educational grants meet the requirements of Code Section 4945(g)(3). 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

4945(g)(1) Scholarship Program

Your letter indicates you will operate a scholarship program for at-risk and underserved students to attend preschool through college. The purpose of the scholarships is to make a lasting difference in lives of recipients by permitting them to receive a quality education

despite family economic conditions that could otherwise hinder the ability to attend such schools.

Scholarships will be awarded for attendance at educational institutions that are described in Section 509(a)(1) and 170(b)(1)(A)(ii). The exact amount of the scholarships has not been determined and will vary based on the cost of tuition, but you are budgeting x dollars per year for primary school, y dollars per year for high school, and an average of the tuition at three local public universities per year for college. These amounts will be subject to change based on the changing costs at area schools as well as your financial resources.

Scholarships will renew annually so long as the recipient maintains satisfactory progress according to the terms of the program. Your goal is to make at least one new scholarship per year dependent upon your financial resources. You do not intend to make educational loans.

4945(g)(3) Grant Program

You also intend to make grants to individuals which are to be used to achieve a specific objective or to enhance a recipient's capacities or skills. Most of these grants will be for school-related programs such as tutoring or subject matter enrichment programs. These grants will only be offered to those already participating in the scholarship program.

Specific to the educational grants described in Code Section 4945(g)(3), each such grant awarded by the Selection Committee will be for a specified period (usually one year or less), and the amount of such a scholarship or educational grant will not exceed the anticipated cost of the particular educational activity designed to achieve a specific objective or to enhance the recipient's capacities or skills.

You intend to make your programs known through various charitable organizations in your local area that provide services to underserved youth, in financial aid offices in local educational organizations, and on your website.

Potential recipients must make application to the program. Eligibility criteria for scholarships include age (the desire is for recipients to be preschool-age children when initially awarded a scholarship), income requirements (at or below the federal poverty level up to 250% of the federal poverty level), and geographic location (the regional area of your state). Within these guidelines, other subjective criteria include age-appropriate readiness for the educational environment, ability to follow direction, commitment to education by the family of the potential recipient, recommendations from educators, social workers, and others not related to the potential recipient, financial need, and the conclusions that the Selection Committee might draw from personal interviews as to the applicant's motivations, character, ability, and potential.

You do not intend to use prior academic performance as a criterion for selection because (a) recipients will ideally be selected at an age at which there is no such history available

and (b) the desire is to help students, and thus choose recipients, of varying academic abilities, including those with learning disabilities. Factors that are not reasonably related to the purposes of the scholarship, such as race, gender, or the employment status of a prospective recipient (or his or her relatives), are not considered and will have no influence on the selection of recipients. Applicants who are deemed to be finalists for a scholarship will generally be interviewed by the Selection Committee in person. No disqualified person with respect to your organization is eligible for consideration and no donor to your organization is allowed to designate scholarship recipients.

Your Selection Committee consists of your Trustees, members of the advisory Board of Directors and others in the field of education who have demonstrated an interest in helping individuals further their education. The Trustees may modify the composition of the Selection Committee to ensure an informed and unbiased selection process. Members of the Selection Committee, spouses, relatives, and all other disqualified persons are not eligible to receive a scholarship and are prohibited from deriving any private benefit from the selection process. Your Selection Committee will make all determinations on an objective and non-discriminatory basis.

To maintain or renew a scholarship made, you will require the following information from the recipient (or his or her parents):

- The completion of the FACTS financial forms
- Completion of service hours during the year
- Attendance at certain events or programs such as retreats or leadership classes
- Maintenance of a minimum grade point average (high school and college only)

To administer the scholarship made, you will:

- Pay all scholarships directly to the educational institution
- Require the school to agree to use the funds for the legitimate costs consistent with the purposes and conditions of the scholarship
- Require annually a report verifying the courses taken and grades received
- Request from the parents of the recipient permission to receive quarterly progress reports from the school, and
- Permission to meet with the school annually about the recipient's educational progress

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, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the 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 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 the 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. The effective date of our approval is November 14, 2019, which is the date your request was submitted.
- 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