

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **202043006**

Release Date: 10/23/2020

Date: July 28, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

Y= Location
b dollars = Amounts
c = Number

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 provided in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program.

Your purpose is to invest in rural projects in Y that improve economic stability and build community cohesion through educational support as well as through business and agricultural development.

The purpose of the program is to provide financial support for underprivileged, economically disadvantaged students in foreign countries specifically Y in order to allow young people to pursue educational opportunities and avoid the risks posed by poverty such as forced modern slavery and human trafficking. The scholarships are to be used

for tuition and fees, school supplies (including books, fees, equipment for courses), and other related expenses. At first, you expect to grant approximately c renewable scholarships for b dollars per year. Further, the number of awards will potentially increase as the program capacity expands.

To promote the scholarship program, you will identify eligible underprivileged populations and directly publicize the scholarship program to these populations by using public media, social media and public communications appropriate for rural environments.

To be eligible, candidates must be economically disadvantaged students who have successfully completed secondary school and national exams for university level study and require additional funding to complete their studies.

Additionally, eligible candidates will be required to complete an application package with required attachments including an essay, reference/recommendation letters, academic history, evidence of need, and a letter of good standing.

Complete application packages will be reviewed and evaluated by a selection committee consisting of three qualified individuals from Y who are independent of you and have relevant educational expertise. They will select individual grant recipients on an objective and non-discriminatory basis and make recommendations to you. You will make the final selection. Awards will be based primarily on financial need, with consideration of the candidate's prior academic performance, the successful completion and results of national exams, the receipt of a diploma from a secondary school, their essay and the responses to questions in the application. Moreover, you will not provide scholarships to members, or staff or their families or to any disqualified person or for a purpose that is inconsistent with the purposes set forth in IRC Section 170(c)(2)(B).

Your staff will be responsible for distributing funds to educational and financial institutions on behalf of recipients. Your staff will receive and review reports and grade transcripts directly from recipients unless circumstances dictate direct interaction with the educational institutions. Your staff will also investigate diversion of funds from their intended purposes and take all reasonable and appropriate steps to recover diverted funds. You will maintain adequate records and case histories showing the name and address of each recipient pursuant to Revenue Ruling 56-304, 1956-2 C.B. 306.

Before an award is dispersed, you will check the List of Specifically Designated Nationals and Blocked Persons maintained by the US Department of the Treasury's Office of Foreign Assets Control (OFAC) for names of individual recipients to determine if they are included on the list. You will also comply with all statutes, executive orders, and regulations that restrict or prohibit persons from engaging in transactions and dealings with designated individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC.

To maintain their grant and be considered for renewal, recipients must regularly attend classes, report grades to you as soon as they are available each academic cycle, open a personal bank account and share deposit information with you (if required), sign in-person a monthly deposit affirmation, maintain at least an annual grade point average of the equivalent to a 3.0 GPA in the US system, attend your required events and meetings, and provide a copy of a final thesis or project to you. The scholarships are renewable until the recipient completes all requirements to receive a degree, up to a maximum of six years. The opportunity to extend the scholarship further will be considered if the student pursues an advanced degree.

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.

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