

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **202043007**

Release Date: 10/23/2020

Date: July 28, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Name
C= Number
D= Number
E= Number

x 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 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 B. The purpose of B is to provide the necessary financial support to students who need assistance with their educational costs to attend a four-year undergraduate program at a qualified educational institution in which they were granted admission.

To find qualified applicants, you will identify and invite promising C students you meet through your work with charities that focus on youth. The candidates who are invited will typically not have received financial aid through other channels. From this group of C students, you will award in the range of D scholarships which will be annually determined by your board. Your board will also determine the amount of each award on a case by case basis depending on how much financial aid the candidate needs and the overall tuition amount at their school. You will dedicate about x dollars annually for B.

To be considered, invited students must complete an online application with required attachments including detailed financial information and complete responses to numerous essay questions. Students will typically be seniors in high school or undergraduate students enrolled at a qualified educational institution. Applications will be reviewed by a selection committee consisting of your trustees who will select recipients based on the applicants' academic performance and demonstrated financial need, and the overall strength of the application.

Once a scholarship is awarded the recipient will be required to attend a 4-year undergraduate program and achieve at least a 3.0 GPA as well as participate in E hours of community service each year.

You will pay the scholarship directly to the academic institution whereby the school will apply the grant funds. Recipients will be required to submit school transcripts to insure strong academic standing. You will also obtain reports from charitable organizations to verify the community service requirement has been met. If a student violates the terms of the scholarship program, you will continue payment for the semester in question however the student will be disqualified for aid for the following semester. If the student is able to once again maintain good academic standing, they can reapply for the scholarship.

Children or relatives of your officers, directors, substantial contributors or selection committee members are not eligible for your scholarships.

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 diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a 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 relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and 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 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