

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

T = University
U = University
V = University
W = Program
X = Course
Y = Foundation
Z = Foundation

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 provide in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program named W. The purpose of W is to encourage young people with a demonstrated passion for civic engagement and

community leadership to continue these pursuits at a college or university with an undergraduate class (or its equivalent) in X. You have primarily achieved your charitable mission by developing and supporting X course offerings at various colleges and universities across the country. You have partnered with two public charities, Y and Z, as a first step in expanding the reach of the program.

You worked with Y to develop the X course offering, which aims to inspire and prepare students to pursue STEM (science, technology, engineering, and mathematics) majors at top-tier universities and become future leaders in their fields. Similarly, you have worked with Z, who sponsors a comparable program for students who have demonstrated high academic potential but have financial or other constraints that might limit their educational opportunities.

As a part of your mission to expand the program, you are establishing this new scholarship program, W, to support those young people who have participated in the X course, or equivalent programs, who demonstrate the potential to be skilled philanthropists and civic leaders to allow them to continue these pursuits at certain colleges or universities, T, U, V, or others in the future, who all offer the X course.

Through W, you will provide the full cost of attendance at a college or university for a high school student who has completed an X class (or its equivalent) at the secondary school level and who will attend a college or university that is in close proximity to the community in which the applicant resides that offers or that you believe will offer an X class at the undergraduate level.

The scholarship program will be publicized through the X class (or its equivalent) at the secondary school level sponsored by you. The application materials will be available on your website(s) and you will encourage X instructors to personally reach out to potential applicants and encourage them to apply for the scholarship. Initially, you plan on offering at least one scholarship annually.

To be eligible for the scholarship program the applicant must:

- Be a current high school senior or recent high school graduate who has completed the X class (or its equivalent) at the secondary school level.
- Have been accepted to a local college or university that offers the X class (or its equivalent) prior to applying for the scholarship.
- Demonstrate a strong commitment to social change and an interest in pursuing the intersection of philanthropy, business, and civic engagement personally or professionally after completing an undergraduate degree.
- Have a 3.5 Grade Point Average (“GPA”) on a standard 4.0 scale (or its equivalent) at his or her respective secondary school.
- Provide evidence of financial need.
- Agree to take the X class (or its equivalent) at their respective college or university.

Each applicant will be interviewed by the selection committee and will be required to submit an application form, a high school transcript showing courses completed with GPA, responses to essay questions, and two letters of reference.

The scholarship committee members will be appointed by your board of directors based on recommendations from your partners in academia as well as other trusted community leaders. To serve as a member of the committee a prospective member will have met one or more of the following criteria:

- Must be a current or former educator who has created and offered a X class and is familiar with the W program.
- Familiarity or affiliation with one or more of the colleges and/or universities to which prospective grantees have been accepted and at which the X class (or its equivalent) is offered.
- Must be a civic leader in philanthropy, particularly those civic leaders in philanthropy who reside in the communities, in which, the scholarships are offered.

Members of the scholarship committee may resign at any time. And members of the scholarship committee can be removed from the committee at the discretion of your board of directors. Your manager, as defined in Code Section 4946 and substantial contributors, as defined in Code Section 507(d)(2), are not eligible to serve on your scholarship committee.

Grantees will be selected on an objective and nondiscriminatory basis by the scholarship committee. Relatives of the members of the scholarship committee or "disqualified persons", as defined in Code Section 4946, shall not be eligible for the scholarship.

The scholarship committee will consider the following factors in selecting a recipient from amongst the pool of applicants:

- Financial need
- Prior academic performance, and
- Motivation, character, ability and interest in philanthropic pursuits and civic engagement.

Before you renew the grant, each semester you will require the following items from the grantee:

- Proof of continued enrollment at the college/university
- Proof of GPA
- Evidence of financial need
- A statement of reflection from the grantee which describes their college/university experiences and its impact on their continued commitment to social change and interest in pursuing the intersection of philanthropy, business, and civic engagement, and
- And at the end of a grantee's third year of study, the grantee must provide proof that the X class (or its equivalent) has been completed.

You will make grants directly to the college or university the recipient is attending, following verification of their enrollment for the ensuing academic year. And to prevent any improper use of grant funds, you will:

- Require each grantee to submit an annual report to you. The report will list the grantee's courses of study and describe how the grant funds furthered your mission.
- If any diversions of funds from their intended purposes occurs, you will investigate.
- If your investigation determines that a diversion of funds occurred, you will take all reasonable and appropriate steps to recover the diverted funds. Any further payment made to the grant recipient(s) will be withheld until you obtain the grantees' assurances that future diversions will not occur, and that the grantee(s) will take extraordinary precautions to prevent future diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, an assessment of whether a grantee is a disqualified person, the amount and purpose of each grant, and a record of the efforts you undertook to ensure that all grant funds are used for their intended purposes.

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.

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