

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

Department of the Treasury

Date: October 6, 2020

Employer Identification Number:

Number: **202053018**
Release Date: 12/31/2020

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Name
C= State
D= State
F= State
G= State
H= Organization
J= Organization
K= Number
L= Number
M= Number
N= Number
P= Number
x dollars= Amount
y 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.

You are dedicated to cultivating prosperity for local communities and helping change the lives of young people in the communities you serve.

The purpose of B is to encourage young people living in the states of C, D, F, and G to pursue their education by assisting them financially in their endeavor. To publicize B, you will send out announcements to media news outlets. To assist, administer, and supervise B, you will partner with H.

To be eligible for B, applicants must be legal United States residents and:

- Reside within the states of C, D, F, and G;
- Be high school graduating seniors from public, private, parochial and charter schools who plan to attend a four-year accredited college or university.

Home-schooled students are also eligible. However, they must provide documentation of high school equivalency and college eligibility as an incoming freshman.

To apply for B, eligible applicants must electronically submit an application available on line along with a composed essay. The essay must explain how their college education will help them cultivate prosperity in their neighborhood/community.

H will conduct an initial screening of all submissions based on the criteria you provide and then evaluate the essays on content, style, grammar, and spelling. H will then forward the final K top submissions to a judging committee consisting of individuals from J who are selected by their managers and agree to volunteer as a judge. The judging committee will evaluate and grade/score the essays. Once they grade/score the essays, they are placed in order of scores. The Trustee is given the top M essays to then select the top N winners based on the essay's content. These recipients will receive x dollars. There will be P remaining winners who will be selected strictly on their essay scores. These recipients will receive y dollars.

Scholarship awards will be paid to winners. Scholarship awards cannot be deferred and are not renewable. You will have a formal ceremony to present the awards and subsequently, you will send out photos to student's local papers and other media outlets.

Employees, officers and directors of J, its subsidiaries, affiliates, distributors, advertising and promotion agencies and their family members (defined as spouses, children, parents, siblings and in-laws) and those living in their households are not eligible for B. This exclusion also applies to anyone who may become an employee of J after submitting their application.

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 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