

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

Department of the Treasury

Date: November 24, 2020

Employer Identification Number:

Number: **202107013**
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Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X = Names
w dollars = Amount
y dollars = Amount
z 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 and educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships and educational grants meet the requirements of Code Sections 4945(g)(1) and 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Also, Section 4945(g)(1) 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 grantmaking program. Under your program you will award grants under both IRC Sections 4945(g)(1) and 4945(g)(3).

Your purpose is to build stronger communities, support youth, and advance environmental conservation and climate change mitigation strategies with a particular focus on the States of X.

The purposes of your grant program will be to:

- Improve access to tertiary education for deserving students lacking the financial resources to cover tuition and other educational expenses;
- Support achievement of objectives that are consistent with your beforementioned purposes; and
- Support deserving individuals in their efforts to develop their skills and talents.

Eligible Section 4945(g)(1) grantees include any U.S. citizen or legal resident who is enrolled, or intends to enroll, in an institution of higher education described in Section 170(b)(1)(A)(ii). Similarly, the pool of grantees eligible for Section 4945(g)(3) grants consists of U.S. citizens or legal residents who have demonstrated excellence in their applicable field.

The number and amount of individual grants, you award each year will be determined by balancing the amount of your funds available for disbursement and the relative needs of your grantmaking program. In the near term, you anticipate making two four-year scholarship grants per year in the amount of w dollars resulting in an annual outlay of y dollars for the first year. Four years into the program, when there are eight scholarship recipients, the annual outlay will be z dollars.

You will publicize your grantmaking program through your typical communication channels, including website and targeted communications to interested stakeholders and potential applicants.

Potential grantees will generally be required to submit an application that includes information regarding financial need; a short biographical statement; a description of the specific objective, skill, or course of study for which the grant is being sought; information required for you to ensure that the potential grantee is not a disqualified person with respect to you; and, for scholarship or fellowship grants, proof of enrollment or admission. You will also, as a general matter, request that grant applicants submit one or more letters of support and provide references.

Your selection committee for all grants is comprised of your staff and others in leadership positions, including members of your Board of Directors. Criteria for membership on the selection committee includes a demonstrated commitment to your mission and the program's aim of providing financial assistance to under-resourced students. Selection committee members will be replaced in the normal course as there is turnover in your staff and Board members in accordance with your hiring and Board recruitment procedures.

Your selection committee will use selection criteria that will identify those individuals who have the greatest need for your assistance, a demonstrated ability to further your tax-exempt purposes, and/or who show strong potential to succeed.

Specifically, the selection committee will select individual grant recipients on the basis of financial need, prior academic performance, recommendations from instructors and/or college access programs, demonstrated excellence in their applicable field, and a written statement and/or personal interview which provides you with relevant information as to the applicant's motivation, character, ability, achievement, potential, and plans for the future.

Further, in selecting individual grant recipients, the selection committee will not discriminate on the basis of race, gender, sexual orientation, ethnicity, nationality, or religion but may take into account the accomplishments of those applicants who have overcome significant obstacles, including barriers presented by their economic circumstances, physical disabilities, or membership in a minority group.

In addition, to avoid any potential for private benefit to a disqualified person, the following persons are not eligible to receive grants:

- Your past or present directors or officers;
- Any family members of past or present directors or officers; and
- any person considered a disqualified person with respect to you within the meaning of Section 4946(a).

You will generally notify a grant recipient with an award letter indicating the amount of the grant and the terms and conditions of its use, including any purposes of the grant, which the recipient will be required to sign and return for purposes of indicating their acceptance of the award.

In the case of scholarship or fellowship grants under Section 4945(g)(1), the letter will specify that all amounts must be used: (i) for tuition at a four-year post-secondary educational institution that normally maintains a regular facility and curriculum; (ii) for fees, books, supplies, and equipment required for courses at such institutions; or (iii) for other expenses related to matriculation at such educational institutions, such as housing and other living expenses. The award letter will describe the reporting requirements and will specify the date by which the recipient must comply with the reporting requirements.

Moreover, you anticipate making both one-time and renewable grants, such as scholarships for consecutive years of schooling. For either type of individual grant, you will require the individual grant recipient to utilize the granted funds for the charitable and educational purposes for which you granted them. You will require periodic reporting by grantees on their use of funds, which will be no less than annual.

All scholarship or fellowship grants awarded pursuant to Section 4945(g)(1) must be awarded directly to the institution, for use exclusively to pay tuition, fees, books, supplies, equipment, board, and lodging required to attend the student's educational program.

For a scholarship or fellowship grant, you will require a recipient to provide a copy of their transcript showing all courses taken in that academic year and the grades received. Each

scholarship or fellowship grant recipient will also be required to provide a final report upon completion of their course of study for which the scholarship was awarded.

For grants awarded under Section 4945(g)(3), a grant recipient must provide a report describing their accomplishments toward the grant purposes and accounting for the use of grant funds within six months of the initial disbursement, and every six months thereafter, including a final report after all grant funds have been used.

You will investigate if any grant recipient fails to provide the documentation required under within a reasonable amount of time and withhold further grant funds until such documentation has been submitted.

If you determine that any grants have been used for improper purposes, you will take reasonable and appropriate steps, up to and including legal action, to recover improperly expended funds and to ensure that any funds held by the recipient will be used exclusively for the purposes of the grant award.

You will keep records concerning your individual grantmaking program, which will generally include:

- All information you secure to evaluate grant applicants:
- The name, address and other contact or identifying information of each grant recipient;
- An information you secure to determine whether a grant applicant is a “disqualified person” with respect to you within the meaning of Section 4946(a);
- The amount of grant funds disbursed to each recipient;
- The identified goals and purposes for which each grant is awarded;
- Copies of all award letters;
- Transcripts and reports provided by grant recipients, as applicable; and
- Any measures taken to investigate the use of grant funds for improper purposes or to enforce grant terms.

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 Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or

- A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
- To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

Under 4945(g)(3), to receive approval of its educational grant procedures, Treasury Regulations Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

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