

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

**Department of the Treasury**

Number: **202120018**  
Release Date: 5/21/2021

**Date:** February 23, 2021

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**

B= cities  
C = number  
D = number  
y dollars= amount 1  
z dollars= amount 2

**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 provide in Code Section 117(b)).

**Description of your request**

You will provide support to high school students who plan to enroll in a full-time degree granting program at a higher education institution after graduation and who have overcome significant obstacles in their pursuit of higher education. While your focus will be on students in the B metropolitan area, you may consider other geographic locations in the future. The support you provide includes scholarships intended to cover tuition, fees, room and board, and basic living expenses. Support may also include non-monetary

resources such as SAT/ACT tutoring, financial aid guidance, and assistance identifying internship and mentorship opportunities based on a recipient's educational and professional interests. Should you decide to offer non-monetary support, you may partner with other charitable organizations, schools or consultants.

The scholarship amount may vary based on the individual needs of the recipients and availability of funds, but you anticipate selecting C recipients per year and award up to Z dollars over four years.

To be eligible for a scholarship, students must be:

- Currently a junior enrolled in an accredited B metropolitan area public school, including public, charter, and magnet schools; and
- Planning to enroll in a full-time degree granting program at a higher education institution following high school graduation; and
- Challenged financially to attend college and can document financial need.

You will evaluate potential recipients on the following criteria, in addition to documented financial need, knowing that all criteria may not be applicable to each potential recipient due to their history and the nature of the scholarship sought:

- Resilience
- Engagement with and for others
- Seeks challenges
- Problem solver
- Committed and active learner

All applications will first be reviewed, scored and ranked by your staff. Additionally, a group of external reviewers composed of local community leaders or representatives of schools will assist in reviewing the applications. Based on scores from your staff and external reviewers, approximately D finalists will be presented to your Board of Directors for final selection.

Your Board of Directors will determine the number of scholarships to be awarded each year based on the qualifications and needs of applicants. Currently, you expect to award no more than D scholarships per year ranging in amount from y dollars to z dollars.

In order to maintain the scholarship, you will require recipients to continue enrollment and academic good standing at a college or university. Recipients will be required to submit a report each semester outlining their use of funds, as well as academic transcripts. You will review the use of funds on a regular basis.

Recipients will be required to sign an agreement, which will outline the requirements related to reporting, as well as explain to them that you will investigate any diversions of funds and that you will take steps to recover funds not used for their intended purposes.

You represent that you will (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 adequate supervision and investigation of diversion of grant funds.

### **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