

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

Department of the Treasury

Number: **202123012**
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Employer Identification Number:

Date: March 16, 2021

Contact person - ID number:

Contact telephone number:

LEGEND
v dollars = dollar amount range
X = Scholarship Program
Y = Academy
Z = City, State

UIL: 4945.04-04

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code ("IRC") 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 IRC Section 4945(g)(1). We also approved your procedures for educational grants under Section 4945(g)(3). 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 IRC Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called X.

Your purpose is to provide financial support for charitable causes. You intend to implement an individual grantmaking program. The program may include both scholarship and fellowship grants to be used for study at an educational organization pursuant to IRC Section 4945(g)(1). In addition, the program may consist of grants to

achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill, or talent of the grantee pursuant to Section 4945(g)(3).

The purpose of X is to support recent graduates of Y, a public alternative high school in Z, a _____ region. Y largely serves an underprivileged student population, a high percentage of which are unlikely to graduate. X is intended to encourage students of Y to not only complete their high school education, but to also seek further education or job training.

Information about X will be publicized by hosting an informational session open to all Y seniors, distributing flyers, and maintaining a close working relationship with the faculty and staff of Y to make sure they are aware of the program.

Eligibility for the program requires a student to be enrolled in Y who is on track to graduate and is referred by a member of the staff of Y. Your selection criteria is intended to identify those individuals who have the greatest need for your organization's assistance and/or who show strong potential to succeed. Your selection criteria includes financial need; prior academic performance or demonstrated excellence or potential; and an evaluation of the applicant's motivation, ability, character, achievement, and potential demonstrated in a written statement or personal interview.

You anticipate your individual grants will consist of scholarship grants within the meaning of IRC Section 4945(g)(1). However, you want the flexibility to make individual grants under Section 4945(g)(3) in case an individual pursues a course of study, such as an apprenticeship, that falls outside the technical requirements for a Section 4945(g)(1) grant.

The number of recipients of X is intended to be up to ten students per year. The number of individuals eligible to apply will typically range between twenty and thirty students. Each recipient is expected to receive between v dollars with the typical amount being on the lower end of that scale. The amount provided will depend on whether the student attends community college, four-year university or trade school. You intend the scholarships to serve as "last dollar scholarships" meaning that the awards will cover expenses that are not already covered by federal financial aid, expected family contribution, and other awards.

Recipients will have the opportunity to apply for scholarships renewal. Students will need to complete the renewal form, provide a college transcript and meet the following: (1) must have completed full-time college coursework during the academic year which is defined as 12 credits per quarter/semester of 36 credits total, (2) must be pursuing an AA or BA/BS degree or technical college degree, (3) must maintain at least a 2.60 cumulative college GPA, (4) must have stayed in contact with their Y mentor during the previous year, and (5) must demonstrate good moral character.

The selection committee will consist of your Foundations officers and staff, as well as individuals with expertise in the field of education. Your foundation has control over who is involved in the selection process.

Grant recipients may not be "disqualified persons" with respect to you, within the meaning of IRC Section 4946. Grant recipients furthermore may not be related to any officer, director, substantial contributor, or member of a grants selection committee, nor may they be persons whose selection would result in private benefit to any officer, director, substantial contributor, or member of a grants selection committee.

You represent that you will complete the following: (1) arrange to receive and review recipient reports annually and upon completion of the purpose for which the scholarship 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 scholarship funds held by the 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 related to the following: (1) all information that the Foundation secures to evaluate Program applicants, (2) the name, addresses and other contact or identifying information of each Program recipient, (3) any information the Foundation secures to determine whether a Program applicant is a "disqualified person" with respect to the Foundation within the meaning of Section 4946(a), (4) the amount of grant funds disbursed to each Program participant, (5) the specific goals of each Program recipient, and (6) copies of all award letters.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (IRC 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 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 IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
- The grant is:
 - 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.

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 IRC 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