



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date: 9/23/21

Number: 202150035
Release Date: 12/17/2021

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

LEGEND

V = Name

W = Name

X = Name

Y = Name

s dollars = Amount

t dollars = Amounts

UIC: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under IRC Section 4945(g)(3).

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

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). As a result, expenditures you make under these procedures won't be taxable.

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)).

We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate a grantmaking program called V. You were formed to encourage people who are inspired, motivated, and dedicated to making the world a better place.

The purpose of V is to award grants to qualified individuals to further your purposes as well as to honor the life and accomplishments of your namesake. V will consist of W, X and Y. Under W, you will award grants within the meaning of IRC Section 4945(g)(1). Under X and Y, you will award grants within the meaning of Section 4945(g)(3). You do not anticipate your annual grant budget exceeding s dollars for the first three years of operation. You intend on awarding several grants in the range of t dollars. All grants under V will generally be distributed as a onetime non-recurring lump sum payment unless you agree to otherwise in writing. You may also consider renewing grants on a case-by-case basis.

The selection of all grantees will be made by a Selection Committee approved by your board. Every member of the Selection Committee charged with the evaluation of all applicants must adhere to your policies as they may be adopted and amended from time to time, including without limitation a conflict of interest and confidentiality policy. Every member of the Selection Committee charged with the evaluation of candidates for grants is obligated to disclose any personal knowledge of and relationship with any applicant under consideration and to refrain from participation in the award process in a circumstance where they would derive, directly or indirectly, a private benefit if any applicant is selected over others. No grant may be awarded to any member of your directors, any substantial contributor to you, any of your employees or any other disqualified person as defined in IRC Section 4946(a), or for a purpose that is inconsistent with the purposes described in Section 170(c)(2)(B). All recipients will be selected on a nondiscriminatory basis. Preference will not be given to applicants of a particular sex, race, ethnic background, or religion.

Specifics of W

The purpose of W is to award grants to individuals, including high school, undergraduate and graduate school students to enable them to attend a qualified educational institution in a field of their choice. Further, they could be part time or full time at an educational institution that provides an educational program acceptable for full credit toward a bachelor's or higher degree or offers a training program to prepare them for gainful employment in a recognized occupation and is authorized under federal or state law to provide such a program and is accredited by a national recognized accreditation agency.

To advertise the availability of W, you will contact high schools, colleges and graduate school administrators, as well as leaders of other relevant community institutions. These leaders and administrators are requested to encourage potential awardees to submit applications for W. You will also host a page on your website for the nomination of applicants and via all social media pages attributed to you and affiliated entities.

To be eligible to apply for W, the students must meet the following objective criteria:

- They must have specific GPA requirements, which for high school is 3.00 or greater, for undergraduate schooling is 2.75 or greater and for graduate schooling is 2.50 or greater.
- They must be a secondary school student, an undergraduate or graduate student at a qualified educational institution and pursuing or planning to pursue studies or conducting research to meet the requirements for an academic or professional degree; or they must be a student at a qualified educational institution that is accredited by a national recognized accreditation agency and offers a training program to prepare them for gainful employment in a recognized occupation.

- They must show proof that they are enrolled in or otherwise committed to the educational institution for which the grant is intended to be used.

To apply for W, applicants are required to submit an application and supporting materials as you may deem appropriate on a schedule determined by you. Examples of supporting materials include but are not limited to official transcripts, financial information, a description of volunteer and community service, extracurricular activities and letters of recommendation.

The Selection Committee will review and evaluate all applications and choose recipients based on both subjective criteria and objective criteria. Subjective criteria will include but are not limited to extracurricular involvement, such as in sports, hobbies, community service, and in clubs. Objective criteria will include financial need, and grade point average. The Selection Committee will also consider recommendations from third parties including from instructors and any others who have knowledge of the applicant's capabilities, academics and other relevant experiences and financial need.

You will typically pay all scholarships directly to the recipient's educational institution which must agree in writing to use the scholarship for the recipient's expenses or to pay the funds to the recipient only if the recipient is enrolled at such educational institution and standing at such educational institution is consistent with the purposes and conditions of the scholarship.

Your special procedures provide that if for any reason the grant is paid directly to the recipient other than the educational institution or if the grant is used for expenses other than qualified tuition and related expenses within the meaning of IRC Section 117(b)(2), and for room and board, you must receive a written report on the progress of each grantee at least annually for each academic period for which the grant is used. The report must include a summary of the use of W, courses taken, and grades received in each academic semester as well as be verified by the educational institution. A final report is also required. Where the reports submitted, or other information (including the failure to submit reports), indicate that all or any part of the grant is not being used in furtherance of the purposes of such grant, you are under a duty to investigate. While conducting the investigation, you will withhold further payments to the extent possible until any delinquent reports required under the foregoing provisions of these procedures have been submitted.

If you learn that any part of W is not being used to further the purposes of the scholarship, it will be terminated. You will take all reasonable and appropriate steps to recover the grant funds as is practical and/or ensure restoration of diverted funds to the purposes of W.

Specifics of X

The purpose of X is to provide grants to individuals in pursuit of artistic endeavors including and without limitation to the fields of music, sculpting, or painting, and align your purposes.

To advertise X, you will contact local, state, public, and private art institutions to inform them of their availability of and to request that potential candidates be nominated or to encourage qualified individuals to submit applications. Furthermore, you will host a page on your website for the nomination of applicants and via all social media pages attributed to you as well as those of affiliated entities.

To apply for X, applicants are required to submit an application and supporting materials as you may deem appropriate on a schedule determined by you. Examples of supporting materials may include letters of recommendation, a resume detailing relevant experience and achievements, financial information, and

transcripts. In addition, the applicant must provide :

- A proposal of a defined medium and a sample of previous work within that same medium (e.g., music, sculpting, or painting).
- Verification of formal education and/or training within the proposed medium.
- A proposal of a well-defined project, including preliminary plans or outlines appropriate to the medium, the purpose behind the project, and how the project meets or furthers your purposes.
- A budget for the project and proposed use for X within that budget

All application packages will be reviewed and evaluated by your Selection Committee to determine which applicants best appear to meet your criteria and forward their information and application packages to you. Then members of your staff will conduct joint personal interviews of these applicants and select those that best meet the specific criteria and whose proposal best aligns with your purposes.

The proceeds of X will usually be paid directly to the individual Recipients of X must sign an agreement agreeing to the terms and reporting requirements of the grant as well as acknowledge that the grant is only to be used in accordance with the proposal pursuant to which the grant was awarded, unless otherwise agreed to in writing. By way of example, if the applicant for X applied for funding for a painting project, funds may not be used for a separate project.

Documentation of expenditures must be provided monthly by the recipient until funds are exhausted (e.g., receipts, bank statements showing appropriate expenditures, etc.). Where the reports submitted, or other information (including the failure to submit reports), indicate that all or any part of X is not being used in furtherance of the purposes of such grant, you are under a duty to investigate. While conducting the investigation, you shall withhold further payments to the extent possible until any delinquent reports required under the foregoing provisions of these procedures have been submitted.

Specifics of Y

The purpose of Y is to provide grants to individuals to financially assist them in the pursuit of business development including but not limited to the fields of engineering, and software development.

You advertise the availability of Y by contacting local and state educational institutions to inform them of the availability of Y and to request that potential candidates be nominated or to encourage potential grantees to submit applications. You will also host a page on your website for the nomination of applicants and via all social media pages attributed to you and affiliated entities.

To apply for Y, candidates are required to submit an application and supporting materials as you may deem appropriate on a schedule determined by you. Examples of supporting materials may include letters of recommendation, a detailed resume, financial information, examples of community involvement, awards received and transcripts. In addition, the applicant must provide:

- A detailed proposal with budgets and an explanation for the proposed use for Y within that budget.
- A description of other sources of funding.
- A narrative on how their proposal meets and furthers your purposes.
- Verification of formal education, training, or experience within the proposed field.

All materials will be reviewed and evaluated by your Selection Committee to determine which applicants best appear to meet the criteria and then forward their information and application packages to you. The members of your staff will subsequently conduct joint personal interviews of these applicants and select those that best meet the specific criteria and whose proposal best aligns with your purposes.

Recipients of Y must sign an agreement stating that the grant must be used in accordance with the proposal pursuant to which the grant was awarded, unless otherwise agreed to in writing. By way of example, without limitation, if an applicant for Y applies for a grant to purchase needed equipment, then only this may be covered; grant funds may not be used for anything else. Proceeds of Y shall be paid directly to the individual.

Under Y, the grantee must provide documentation detailing their expenses on a monthly basis until funds are exhausted (e.g., receipts, bank statements showing appropriate expenditure, etc.).

Where the reports submitted, or other information (including the failure to submit reports), indicate that all or any part of the grant is not being used in furtherance of the purposes of such grant, you are under a duty to investigate. While conducting the investigation, you shall withhold further payments to the extent possible until any delinquent reports required under the foregoing provisions of these procedures have been submitted.

Oversight and Reporting and Record Keeping for all Grants

If you learn that all or any part of W, X, or Y is not being used in furtherance of their purposes, you will take all reasonable and appropriate steps to recover the funds and/or ensure restoration of the diverted funds to the purposes of the grant.

If such a diversion occurs and the grantee has not previously diverted funds for any use not in furtherance of the purposes of the grant, you shall withhold any further payments to the grantee until you have received the recipient's assurance that future diversions shall not occur and shall require the recipient to take extraordinary precautions to prevent future diversions from occurring.

Where a recipient has previously diverted funds received from you and you determine that any part of a grant has again been used for improper purposes, you shall take all reasonable and appropriate steps to recover the funds and/or ensure restoration of the diverted funds to the purposes of the grant. In such case, you shall withhold further payments until: (1) the diverted funds are in fact recovered or restored; (2) you have received the grantee's assurances that future diversions will not occur; and (3) you require the grantee to take extraordinary precautions to prevent future diversions from occurring.

The phrase "all reasonable and appropriate steps," as used above, shall include legal action where appropriate, but need not include legal action if such action would in all probability not result in the satisfaction of execution on a judgment.

Concerning reporting requirements, you represent that 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.

Concerning record keeping, 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 purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. 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 the following requirements of IRC Section 4945(g) is not a taxable expenditure. IRC Section 4945(g)(1) Requirements.

- 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).

IRC Section 4945(g)(3) Requirements

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
 - A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public.
 - 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 Regulation 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.

Please keep a copy of this letter in your records.

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements