



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

Date: 08/10/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: **202244024**

Release Date: 11/4/2022

#### LEGEND

X = Scholarship

y dollars = amount

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

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.

Additionally, 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 IRC Section 117(b)).

#### **Description of your request**

Your letter indicates you will operate a scholarship program called X. The purpose of X is to provide educational opportunities to young students in need to help pursue their dreams, accomplish their goals, and impact their lives. You hope to inspire and empower and low-income students to succeed on their educational journey. Scholarship grants will fund high school, college, and graduate school students. Scholarship amounts will average y dollars per semester and must be used for qualified educational expenses such as tuition and fees, course-related expenses, and room and board. You will publicize X on your website, social media, printed materials and via fundraisers. You will also rely on personal connections and relationships with similarly-purposed non-profit organizations to disseminate information about scholarship opportunities.

Letter 4792 (Rev. 1-2022)  
Catalog Number 58263T

All students considered for X must be citizens of developing countries who have the ambition and ability to achieve more than what is immediately available to them in their home villages. You will ensure that the group from which grant recipients are selected is sufficiently broad. Recipients must be (1) primary or secondary school students; (2) undergraduate or graduate students at a college or university who are pursuing studies or conducting research to meet the requirements for an academic or professional degree; or (3) students, whether full-time or part-time, who receive a scholarship for study 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 students for gainful employment in a recognized occupation and is authorized under that country's federal, state, provincial or local law to provide such a program and is accredited by a recognized accreditation agency.

Grantees will be selected on an objective and nondiscriminatory basis. The criteria will include, but not be limited to:

- Prior academic performance;
- Performance of each applicant on tests designed to measure ability and aptitude for educational work;
- Recommendations from instructors of such applicant and any others who have knowledge of the applicant's capabilities;
- Additional biographical information regarding an applicant's career, academic and other relevant experiences, financial need; and
- The grant selection committee's conclusions as to the applicant's motivation, character, personal circumstances, ability, or potential.

You will also consider the life stories of the applicant which should demonstrate good character, an intention to uplift one's family and community, and most importantly, or l support for any one of a number of reasons including the , illness or unavailability. Recipients will be selected with respect for Federal law regarding nondiscrimination based on a person's national origin, race, color, religion, disability, sex, and familial status, birthplace, ancestry, culture, and language.

You will appoint all members of the selection committee. Currently, the committee consists of your board of directors. Grants will not be awarded to any member of your board of directors, any substantial contributor, any employee, or related person of the aforementioned, or any disqualified person with respect to you. Grants will not be awarded to any member of the selection committee or to any members of their family.

Unless otherwise provided in the grant agreement, you will pay grants directly to the educational institution for the use of the recipient. The educational institution must agree in writing to use the funds to defray the recipient's expenses or to pay the funds to the recipient only if the recipient is enrolled at the institution and his or her standing is consistent with the purposes and conditions of the grant. If the grant is paid directly to the recipient or anyone other than the educational institution, you require a report on the progress (summary of use of funds, courses taken, grades received, etc.) at least yearly. Grants will be awarded for a one-year period and are renewable for a period appropriate to the purposes of the grant. Recipients must demonstrate progress toward their educational goal through successful completion of coursework, or objective, and documented progress towards completion of other types of training programs to the board of directors or its appointee. You will investigate possible diversions and withhold further payments until any delinquent reports have been submitted. You will take reasonable and appropriate steps to recover grant funds and/or ensure restoration of the diverted funds to the purposes of the grant.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and 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 diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify a grantee is a disqualified person,
- Establish the amount and purpose of each grant, and
- Establish that you undertook the supervision and investigation of grants described above.

You will operate in compliance with all statutes, executive orders and regulations restricting or prohibiting U.S. persons from engaging in transactions and dealings with terrorist designated countries, entities, individuals, or in violation of economic sanctions administered by Office of Foreign Asset Control (OFAC). You will check the OFAC list of specially designated nationals and blocked persons.

#### **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.

- 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).

#### **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.
- The effective date of our approval is \_\_\_\_\_, which is the date your request was submitted.
- 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 IRS at:

- You can't 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'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed Letter 437, Notice of Intention to Disclose - Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

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 Martin  
Director, Exempt Organizations,  
Rulings and Agreements

Enclosure:  
Letter 437