



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: **202244027**
Release Date: 11/4/2022

UIL: 4945.04-04

LEGEND

B = Program
C = State
D = Community
E = School
F = Number
G = Number
H = Year
J = Year
K = Year
s dollars = Amount

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 B. B will further your charitable mission to help improve the quality of life for disadvantaged families and to impact the lives of at-risk youth through

mentorship, education, and physical activity. Your founder has an abiding commitment to the residents of C and in particular to D community. You have selected E's grade students as the eligible recipients of these scholarships since the school serves over F economically disadvantaged students in C.

Information about the scholarship program will be disseminated initially by the E's faculty and staff. The parents and guardians will be asked to complete a profile for the students if they wish to participate. Once a profile has been completed, you will handle all communication. You plan to stay in touch with the students and their families over the next G years as they move through middle school and high school, in which you will serve as a resource and monitor the students' progress. You will offer the students mentoring, referrals for academic support, and other services they may need to stay on track and succeed. You intend to meet with students at least twice a year to keep the class connected and engaged in the scholarship program, even as they disperse to attend schools around C and beyond. You will offer assistance with college applications when the time comes.

All grade students at E who graduated in the spring of H are eligible to participate. In order to receive scholarship, each participant must:

- Graduate from any high school in the U.S. in the spring of J;
- Maintain a 3.0 GPA or equivalent through high school graduation;
- Have financial need of assistance; and
- Attend a post-secondary institution such as college, university, trade, or vocational school beginning in the fall of J, spring of K, or summer of K.

You intend each scholarship grant amount will begin at s dollars. You may choose to award grants larger than s dollars depending on the student's expenses and financial situation, the number of scholarships to be awarded and the available funds. The scholarship award will be a one-time grant. Participants will report their grades twice annually until they graduate from high school. Scholarship will be paid directly to the post-secondary institution on the behalf of the recipient for tuition and related expenses.

Relatives of your officers, directors, or substantial contributors are not eligible for the scholarship awards.

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.

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.
- 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:

Internal Revenue Service
Exempt Organizations Determinations

- 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.

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.

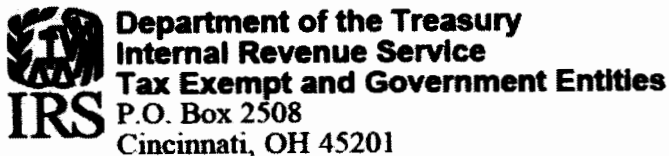
If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Steven A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437

cc:



Date:
08/10/2022
Taxpayer ID number:

Person to contact:

Number: **202244028**
Release Date: 11/4/2022

LEGEND

UIL: 4945.04-04

W = Scholarship Program
X = Number of Grants
Y = Application Manager
z dollars = Grant Amount

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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 grant program called the W.

The purpose of the W is to support the educational advancement of youths by providing grants to graduating high school seniors who plan to pursue postsecondary degrees at accredited educational institutions. You anticipate awarding approximately X grants worth z dollars each; however, the actual number and amount of grants will vary based on annual reviews of your available resources.

To advertise your program, you will use social media, your website, and email lists, which will include the

emails of various high school counselors.

To be eligible, applicants must be high school seniors with a cumulative GPA of 3.0 who participated in a college readiness program during their last two years of high school and will qualify to receive a Pell Grant.

Eligible applicants must submit a completed application form, one recommendation letter from an academic reference, and a presentation in any medium (e.g., art, video, essay, etc.) explaining how the applicant overcame a challenging obstacle.

You will manage the screening and scoring of your applications and provide this information directly to your scholarship committee who will review the applications and make final recommendations to your trustees. Selection criteria will include academic achievement, demonstrated leadership and character, an interview, and participation in extracurricular activities and college readiness programs.

After proof of enrollment is provided, grants will be paid directly to the recipients' qualifying educational institutions. Upon review by your foundation, grants may be renewed up to four years for recipients who remain in good academic standing at their respective schools. If a recipient is not enrolled or not in good standing, any remaining funds will be forfeited and returned to you. In addition, grants must be used within 12 months from the award notification date unless recipients are provided an extension.

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.

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Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

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Letter 437

cc: