

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

**Department of the Treasury**

**Number: 201442059**  
**Release Date: 10/17/2014**

**Employer Identification Number:**

**Contact person - ID number:**

**Date: July 21, 2014**

**Contact telephone number:**

**LEGEND**

**UIL: 4945.04-04**

w= Quantity  
x= Quantity  
y dollars= Amount

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 in Code section 117(b)).

**Description of your request**

Your letter indicates you will operate a grant program. The purpose of your grants will be to enable qualified individuals to obtain a post-secondary education at either the college/university or graduate school level by defraying the cost of tuition, books, fees and similar expenses.

Initially, you expect to award w grants annually. In the future, you may receive additional funding in the form of lifetime or testamentary gifts, which may enable you to eventually award up to x grants annually. The amount of grants is expected to be in the range of y dollars annually. Grants are made on a one-time basis. If a student desires to extend his

or her eligibility for a grant, he or she must re-apply and submit updated academic and financial information.

Eligibility is limited to individuals who are, or have been, residents of a non-profit or other institutional home for the care of children within the United States who have been deprived of a loving and nurturing home environment as well as lack the financial resources to continue their education. Each applicant must complete an application and have earned a high school or a general equivalency diploma and provide supporting documentation. Any existing or prospective student at any high school, college, or graduate school may apply.

You will publicize the availability of your grants in a manner that makes availability known to a broad charitable class of individuals including through the development of a website with information and application materials, and through personal or written contacts with high school, college, and graduate school administrators and other interested persons.

The selection committee will consist of the members of your board of directors. Vacancies on your board are filled by the vote of the members of the board of directors. No grants may be awarded to the members of your board of directors, officers, substantial contributors, or their family members; to any member of the selection committee; or for a purpose that is inconsistent with the purposes described in I.R.C section 170(c)(2)(B).

The criteria for selection of recipients will be academic potential and financial need. In determining an applicant's academic potential, you will consider the grade point average, transcript of courses, evidence of responsible citizenship and leadership potential through participation in extracurricular or community activities. Additionally, you will require at least one letter of recommendation from a teacher or employer. No minimum grade point average will be required. However, the applicant must have satisfactorily earned a diploma and demonstrated the potential to succeed at the post-secondary level.

Each applicant must submit a signed financial statement showing a complete list of his or her assets, liabilities, and income. It is anticipated that very few of the applicants will be receiving any parental financial support. You will limit your awards to applicants whose financial statements demonstrate they would be unable to afford the cost of their education.

In some cases, you will pay grants directly to the educational institution. In other cases, you will pay the grant directly to the recipient for him or her to use at a qualifying educational institution. Each educational institution and recipient must agree in writing to use the grant funds to defray the recipient's expenses only if the recipient is enrolled at a qualifying educational institution and his or her standing is consistent with the purpose and conditions of the grant. The recipient will be required to provide copies of cancelled checks, receipts, or similar documentation for

distributions that are made directly to the recipient. No documentation will be required when funds are distributed directly to an educational institution.

Failure to use the funds for the prescribed purposes or to remain a student in good standing will result in immediate termination of the grant award and require that the recipient return all unused funds. A grant will be used only for qualified tuition and related expenses within the meaning of I.R.C. section 117(b)(2) (tuition and fees required for the enrollment or attendance of the student at a qualifying educational institution and fees, books, supplies, and equipment required for courses of instruction at such an educational institution), and for room, board, travel, and other similar school-related expenses.

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, and (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 diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify 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**

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 may report any significant changes to your program by completing Form 8940 and sending it 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,

Director, Exempt Organizations