

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201437018**  
Release Date: 9/12/2014

**Employer Identification Number:****Person to Contact - ID#:****Date:** June 6, 2014**Contact telephone number:****LEGEND:**

B= scholarship name  
D= county/state  
x= dollar amount  
y= dollar amount

**UIL:**

4945.04-04

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 will not 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 Code section 117(b)).

**Description of your request**

You will operate a scholarship program called B, which will provide financial assistance in the form of grants to students that have demonstrated determination and commitment to succeed.

You estimate approximately 500 applications will be received in the first year and you will award two or three renewable grants. You expect to increase the number of grants made each year as resources allow.

The amount of each grant will be determined by the selection committee after it has: 1) made a determination of the extent to which such applicant embodies the selection criteria, and 2) considered the cost of education of the academic program in which the applicant is or will be enrolled. You expect each grant to range from x dollars to y dollars each year.

To be eligible for B, an applicant must be a high school, college or graduate student attending or planning to attend a college or university located in states along the eastern coast of the United States. Grants under your program are renewable but such renewal is based on the grant recipient's successful completion of the prior academic year, as evidenced by his or her official transcript.

Grant recipients must also remain in good standing with their educational institution. If a grant recipient fails to remain in good standing with his or her educational institution, your board of directors may accommodate a grant recipient if such poor status is a result of extenuating circumstances (for example, a temporary withdrawal due to the illness of a close family member).

Initially, you plan to publicize your program in two high schools in D, and to introduce the program to members of the nominating committee. You will also contact college counseling offices, financial aid offices and community service administrators, who will also publicize your program by encouraging students to apply.

Your application form and announcement materials are currently in development. However, the application will require the applicant to write a personal essay, submit two letters of recommendation, and sit for an interview conducted by your selection committee. All of this information will be maintained in the case histories.

Your nominating committee will consist of volunteers appointed to such committee by your board of directors. Such volunteers will include individuals in the education sector. The nominating committee will be charged with identifying eligible students that it thinks should apply.

The selection committee initially will be composed of a subset of members of your board of directors. In selecting members to serve on the selection committee, you will take into consideration each person's knowledge of and experience in the education field and the ability to carry out his or her responsibilities on the selection committee. Your board, in its sole discretion, may add or remove members of the selection committee and will replace members upon their resignation, removal, or inability to serve. New members of the selection committee may be chosen from current or former board members or officers, or such other individuals who are determined by your board to possess the requisite knowledge, experience, and abilities to serve on the selection committee.

Each member of your selection committee is obligated to disclose the existence of a relationship that he or she has with any potential grantee under consideration and to refrain from participation in the award process if such member could derive, directly or

indirectly, a tangible private benefit from any potential grantee's selection over that of other potential grantees. Reference to relationship is to mean a financial relationship and not a familial relationship. Under no circumstances would you ever make a grant to a disqualified person. Your officers, directors, substantial contributors, selection committee members and the children or relatives of such persons are not eligible for grants.

Your selection committee will select applicants that are determined to succeed in life, despite the obstacles they face. You consider if the applicant has good character and citizenship, positive leadership, and a willingness to work hard as evidenced by the applicant's sincere engagement in one or more areas of his or her educational and extracurricular activities (such as sports, academic clubs, student government, community service or work history). Strong applicants will be academically focused students that have definitive academic or professional goals and intentions for their studies. Applicants are required to enroll in their educational institution on a part-time or full-time basis. In awarding grants, there will be no discrimination on the basis of race, national origin, sexual orientation, religion or gender.

Each grant must be used only for qualified tuition and related expenses within the meaning of Code 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). Grants awarded under your program will be paid to either the educational institution or the grant recipient.

In cases where funds are paid directly to an educational institution, you will require such institution to agree to use funds to defray the recipient's expenses or to apply the funds otherwise for his or her benefit only if the recipient: (1) is enrolled at such educational institution, (2) remains in compliance with the institution's academic requirements necessary to obtain the desired educational degree, and (3) remains in compliance with the minimum academic requirements needed in order to remain in attendance at such institution. If a recipient fails to enroll, drops out, or fails to remain in compliance with the institution's academic requirements, such institution will be required to return all unused funds to you.

In cases where funds are paid directly to a recipient, you will require the recipient to provide a written report of the courses taken (if any) and grades received (if any) in each academic period. Such report must be verified by the educational institution attended by the recipient. To the extent that the recipient's course of study requires the preparation of research papers or projects, the recipient will be required to provide a report on the progress of the paper or research after such report has been approved by a supervising faculty member or another appropriate university representative. Each year, the recipient will be required to submit a written report on the use of funds and the progress made by towards achieving the purposes for which the grant was made. As part of such written report, the recipient shall submit documentation substantiating the use of the funds. Upon the completion of the recipient's course of study, you will require a final report describing

the recipient's accomplishments with respect to the grant and accounting for all funds received.

Upon failure to submit the required reports described above, or where such reports, or other information, indicates that all or any part of a grant is not being used in furtherance of the grant's intended purposes, you will withhold further payments, to the extent possible, during the course of investigation of the jeopardized grant. In the event of a misuse of funds, you will determine if the situation is a mistake and whether it can be corrected. Once you determined that funds have been misused, you will refrain from making additional disbursements and take appropriate action as necessary. This includes seeking the return of funds.

You will maintain detailed case histories by retaining applications and recording the name and address of the applicant, the name of the school the applicant currently attends or wishes to attend, and the amount of the grant. Additionally, the case histories will record the information relied upon by your selection committee to determine eligibility and select recipients. Finally, the case histories will record confirmation that the applicant bears no relationship to the officers, directors, substantial contributors to you, or members of your selection committee or nominating committee.

You expect to maintain these records for a period of at least four years after the time the recipient has graduated from (or failed to remain enrolled in) the school he or she attended (or planned to attend). You will periodically review case histories to evaluate the effectiveness and history of your program.

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 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 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.

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