

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

**Department of the Treasury**

**Date:** September 29, 2020

**Employer Identification Number:**

**Contact person - ID number:**

Number: **202052051**

Release Date: 12/24/2020

**Contact telephone number:**

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 and educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships and educational grants meet the requirements of Code Sections 4945(g)(1) and 4945(g)(3). 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 provide in Code Section 117(b)).

**Description of your request under 4945(g)(1)**

You will implement an individual grantmaking program in furtherance of your charitable purposes to award scholarship or fellowship grants to students enrolled in undergraduate or graduate programs at educational institutions described in Section 170(b)(1)(A)(ii).

Potential recipients will generally be required to submit an application that includes information regarding financial need; a short biographical statement; a description of the specific objective, skill, or course of study for which the grant is being sought; information required for you to ensure that the potential grantee is not a disqualified person with respect to you within the meaning of Section 4946(a); proof of enrollment or admission; and transcripts for all completed terms in any program of secondary or postsecondary

education and proof of enrollment or admission in the program for which funds are being sought. You will also, as a general matter, request that grant applicants submit one or more letters of support and provide references.

Your grantmaking procedures define eligible grantees for Section 4945(g)(1) scholarship or fellowship grants as any U.S. citizens or legal residents who are enrolled in an undergraduate or graduate program at an institution of higher education described in Section 170(b)(1)(A)(ii) or scheduled to enroll in such a program in the immediately following academic year.

You will select all grant recipients in accordance with your grantmaking procedures. As stated in these procedures, your selection criteria are intended to identify those individuals who have the greatest need for your assistance, a demonstrated ability to further your tax-exempt purposes, and/or who show strong potential to succeed. This selection criteria includes financial need; prior academic performance; recommendations from instructors and/or from college access programs; and an evaluation of the applicant's motivation, ability, character, achievement, and potential as demonstrated in a written statement or personal interview.

As stated in your grantmaking procedures, you will select grant recipients on an objective and nondiscriminatory basis and will not discriminate on the basis of race, gender, sexual orientation, ethnicity, nationality, or religion. You may, however, take into account the accomplishments of applicants who have overcome significant obstacles, including barriers presented by their economic circumstances, physical disabilities, or membership in a minority group.

To avoid any potential for private benefit to a disqualified person, your grantmaking procedures provide that disqualified persons (including (i) your past or present directors or officers; (ii) any family members of such individuals; and (iii) any person who is considered a "disqualified person" with respect to you within the meaning of Section 4946(a)) are not eligible to receive grant awards from you.

You will generally notify a grant recipient with an award letter indicating the amount of the grant and the terms and conditions of its use, including any purposes of the grant, which the recipient will be required to sign and return for purposes of indicating his or her acceptance of the award. The letter will specify that all amounts must be used: (i) for tuition at a four-year post-secondary educational institutions that normally maintain a regular faculty and curriculum; (ii) for fees, books, supplies, and equipment required for courses at such institutions; or (iii) for other expenses related to matriculation at such educational institutions, such as housing and other living expenses. The award letter will describe the reporting requirements and will specify the date by which the recipient must comply with the reporting requirements.

Within sixty (60) days of the last day of each academic year for which you award a scholarship or fellowship grant, each scholarship or fellowship grant recipient shall provide you with a copy of a transcript from the institution at which the recipient is

enrolled, which shall include all courses taken in that academic year and the grades received. Each scholarship or fellowship grant recipient must also provide you with a final report upon completion of their course of study for which the scholarship or fellowship was awarded.

Your grantmaking procedures provide that all scholarship or fellowship grants awarded pursuant to Section 4945(g)(1) must be awarded directly to the institution for use exclusively to pay tuition, fees, books, supplies, equipment, board, and lodging required to attend the student's educational program. In this manner, your grantmaking procedures satisfy the supervision requirements of the regulations with respect to grants awarded under Section 4945(g)(1).

Your grantmaking procedures provide that you must investigate if any grant recipient fails to provide the documentation required under applicable procedures within a reasonable amount of time, and withhold further grant funds until such documentation has been submitted, consistent with the duty of a private foundation to investigate jeopardized grants under the Treasury Regulations. You will take reasonable and appropriate steps, up to and including legal action, to recover improperly expended funds and to ensure that any funds held by the recipient will be used exclusively for the purposes of the grant award.

As stated in your grantmaking procedures, you will keep records concerning the conduct of your individual grantmaking program, which will generally include: all information that you secure to evaluate grant applicants; the name, address and other contact or identifying information of each grant recipient; any information you secure to determine whether a grant applicant is a "disqualified person" with respect to you within the meaning of Section 4946(a); the amount of grant funds disbursed to each individual grant recipient; the identified goals and purposes for which each grant is awarded; copies of all award letters; transcripts and reports provided by grant recipients, as applicable; and any measures taken to investigate the use of grant funds for improper purposes or to enforce grant terms.

### **Description of your request under 4945(g)(3)**

You will implement an individual grantmaking program to award grants to qualifying individuals to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent pursuant to Section 4945(g)(3).

Specifically, the purpose of your awards is to support achievement of objectives that are consistent with those of yours and to support deserving individuals in their efforts to develop their skills and talents. You may use these types of grants to support changes to or innovations in individual business practices that further your objectives under Section 170(c)(2)(B), such as seeking to achieve your environmental conservation objectives by providing financial support or incentives to farmers to enable them to adopt and implement a more environmentally sustainable approach to their agriculture.

The pool of grantees eligible for your Section 4945(g)(3) grants consists of U.S. citizens or legal residents who have demonstrated excellence in their applicable field or exhibit potential to achieve your specific objective.

Potential grantees of grants to achieve a specific objective or develop a specific skill will generally be required to submit an application that includes information regarding financial need; a short biographical statement; a description of the specific objective, skill, or course of study for which the grant is being sought; and information required for you to ensure that the potential grantee is not a disqualified person with respect to you within the meaning of Section 4946(a). You will also, as a general matter, request that grant applicants submit one or more letters of support and provide references.

You will select all grant recipients in accordance with your grantmaking procedures. As stated in these procedures, your selection criteria are intended to identify those individuals who have the greatest need for your assistance, a demonstrated ability to further your tax-exempt purposes, and/or who show strong potential to succeed. This selection criteria includes financial need; demonstrated excellence or potential in the potential field; demonstrated ability to achieve the specific objective or develop a specific skill in manner that furthers your desired objectives; and an evaluation of the applicant's motivation, ability, character, achievement, and potential as demonstrated in a written statement or personal interview.

As stated in your grantmaking procedures, you will select grant recipients on an objective and nondiscriminatory basis and will not discriminate on the basis of race, gender, sexual orientation, ethnicity, nationality, or religion. You may, however, take into account the accomplishments of applicants who have overcome significant obstacles, including barriers presented by their economic circumstances, physical disabilities, or membership in a minority group.

To avoid any potential for private benefit to a disqualified person, your grantmaking procedures provide that disqualified persons (including (i) your past or present directors or officers; (ii) any family members of such individuals; and (iii) any person who is considered a "disqualified person" with respect to you within the meaning of Section 4946(a)) are not eligible to receive grant awards from you.

You will generally notify a grant recipient with an award letter indicating the amount of the grant and the terms and conditions of its use, including any purposes of the grant, which the recipient will be required to sign and return for purposes of indicating his or her acceptance of the award. Each recipient of a grant to achieve a specific objective or develop a specific skill shall provide you with a report documenting the grantee's progress with respect to the grant's objective and accounting for the use of grant funds within six (6) months of the first disbursement of grant funds, and every six (6) months thereafter, including a final report after all grant funds have been used.

Your grantmaking procedures provide for grants awarded under Section 4945(g)(3) that a grant recipient must provide a report describing the recipient's accomplishments toward the grant purposes and accounting for the use of grant funds within six (6) months of the initial disbursement, and every six (6) months thereafter, including a final report after all grant funds have been used.

Your grantmaking procedures provide that you must investigate if any grant recipient fails to provide the documentation required under applicable procedures within a reasonable amount of time, and withhold further grant funds until such documentation has been submitted, consistent with the duty of a private foundation to investigate jeopardized grants under the Treasury Regulations.

Your grantmaking procedures further provide that if you determine any grants have been used for improper purposes, you shall take reasonable and appropriate steps, up to and including legal action, to recover improperly expended funds and to ensure that any funds held by the recipient will be used exclusively for the purposes of the grant award.

Specifically, you shall not make any further payments to a recipient who has improperly diverted grant funds until you have received any delinquent transcripts or reports, and you have received assurances from the recipient that future improper diversions will not occur. You shall require the recipient to take appropriate precautions to prevent further diversions. If an individual grant recipient has previously diverted funds and you determine that the recipient has done so a second time, you shall take all reasonable and necessary steps to recover the diverted funds and may at your discretion discontinue all future payments. Alternatively, if the diverted funds are in fact recovered or restored and you follow the procedures above, you may in your discretion make further payments if you determine that to do so would further your charitable purposes.

As stated in your grantmaking procedures, you will keep records concerning the conduct of your individual grantmaking program, which will generally include: all information that you secure to evaluate grant applicants; the name, address and other contact or identifying information of each grant recipient; any information you secure to determine whether a grant applicant is a "disqualified person" with respect to you within the meaning of Section 4946(a); the amount of grant funds disbursed to each individual grant recipient; the identified goals and purposes for which each grant is awarded; copies of all award letters; transcripts and reports provided by grant recipients, as applicable; and any measures taken to investigate the use of grant funds for improper purposes or to enforce grant terms.

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

To receive approval of its educational grant procedures, Treasury Regulations 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.
- 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.

We've sent a copy of this letter to your representatives 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,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements