

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

Number: **202118023**

Release Date: 5/7/2021

Date: February 10, 2021

**Department of the Treasury**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

B = High school

C = City, State

D = Diocese

E = College

F = University

G = College

H = College

J = University

K = University

L = College

p dollars = Amount

q dollars = Amount

r dollars = Amount

s dollars = 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 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**

Your letter indicates you will provide educational grants to individuals in the form of scholarships. The purpose of your program is to encourage high school students attending or who have graduated from B in the C area, or other schools within D to attend a university or a college.

The various scholarships that will be granted by you have their own unique conditions, which include the following:

- Going to a university or college qualifying as an educational organization described in Section 170(b)(1)(A)(ii), with particular preference given to those students attending one of the following colleges: E, F, G, H, J, K or L;
- Maintaining a satisfactory academic performance determined by GPA;
- Engaging in extra-curricular activities while mentoring others in the ;
- Utilizing a strong work ethic;
- Developing their including participation in a culture of life based on specific and to engage in regular involvement and service to the C area parish or other parishes or churches practicing ;
- Studying in the fields of: (a) Science; (b) Business/Entrepreneurship; (c) Theology; and (d) any other field of study approved by your Board of Directors, from accredited colleges and universities.

You will determine the number of scholarships that will be made annually through careful determination of candidates and allocation of your available funds. The total amount of the scholarships distributed is expected to be between r dollars and s dollars per year, as funds permit. They will be awarded in amounts ranging from p dollars and q dollars per recipient and potentially more in the future as funds permit and for purposes of keeping up with inflation. Some of the scholarships will be awarded as "one-time" while others will be disbursed over time during the recipient's college years.

You will announce the availability of the scholarships. Potential applicants will be guided through eligibility requirements, application process, and your inspirations behind the scholarships. Further announcements will be made through local schools and your social media and website, in addition to articles in the local newspaper and church bulletins. Selected recipients will be contacted individually and/or announced at annual school awards banquets usually at the end of each year.

Eligible recipients will be required to be either current attendees or graduates of B for most of the scholarships, and for others another school within D and potentially other schools outside the described area as funding will allow. Eligible grantees will not be selected or rejected on the basis of their race, color, or national origin.

A Selection Committee composed of three individuals will select grantees using the criteria established and will make recommendations to the Board for the grant recipients. The Selection Committee members are appointed, removed, and replaced by your Board of Directors. To be selected as a member of the Committee, a person must be a practicing and take a sincere interest in the well-being of the applicants.



Furthermore, no person or group of persons who select grant recipients shall be in a position to derive a private benefit, directly or indirectly. Grantees may not include "disqualified persons", as defined in IRC Section 4946. In addition, grantees may not include a spouse, ancestor, child (or his or her spouse), grandchild (or his or her spouse), or great grandchild (or his or her spouse) of any of the foregoing. A grantee shall not be offered a scholarship in exchange for a benefit from such grantee or any other person or entity to a person described in the immediately preceding sentence. Also, with respect to the Committee, no person shall be or remain a member of the Committee, shall participate in the appointment of members of the Committee, or shall have authority or responsibility with respect to the selection of grantees, who may receive any benefit, directly or indirectly, from the selection of any potential grantee over another.

Monies awarded to the winning students will be paid directly to the qualified university or college itself for books, educational equipment, and tuition assistance with direction that the money cannot be applied to room and board unless otherwise approved by you. You will also obtain reports to determine whether the grantees have performed in accordance with grant terms. This will include verification by the educational institution attended by the grantee.

Each year, for the continuation of the scholarship, the recipient will be required to mail in a letter of good standing and participation in religious activities, as required from their college pastor, in addition to a copy of their year-end grade report detailing their academic standing. You will also obtain reports to determine whether the grantees have performed in accordance with the grant terms. This will include verification by the educational institution attended by the grantee. Moreover, scholarships will be paid directly to the college or university with instruction to apply the grant funds only if the recipient is enrolled there and in good standing.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, 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 diversions from occurring.

You represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook adequate supervision and investigation of diversion of grant funds.

#### **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,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements