

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Number: **202037011**

Release Date: 9/11/2020

Date: June 16, 2020

Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = City

c dollars = Amount

d dollars = Amount

e dollars = Amount

F = 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. 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 that you will operate a scholarship program for students in B in order to provide for tuition, enrollment fees, books, school uniforms, computer and other supplies, travel and relocation expenses, and other expenses incident to the student's course of study. The scholarship will be awarded on an objective and non-discriminatory basis.

The purpose of your program is to support youth from disadvantaged areas in B who face challenges in pursuing a post-secondary education. You will focus on youth that are from single-parent homes, are the first in their family to attend a post-secondary institution, and/or who engage in community service.

To be eligible for a scholarship, the student must:

- Demonstrate a financial need (based on family income)
- Graduate from high school within the year the scholarship will be awarded, and
- Demonstrate strong prior academic performance (maintain GPA of 3.0).

Applicants must also submit the following:

- A complete application including student essay
- Any references that are needed
- Letters of recommendation
- Proof of enrollment
- Financial information, and
- Any other documentation needed to determine initial and ongoing eligibility.

You intend to award scholarship grants of up to c dollars per academic year for tuition to each individual recipient for up to four years. An additional fifth year will be considered on an individual basis. Up to d dollars will be paid per semester to the institution where the recipient is enrolled as a full-time student. Potential total value of the scholarship over the four years would be e dollars. If the total annual tuition is less than c dollars, then the annual scholarship amount will be equal to that lesser amount.

Up to F scholarships will be awarded annually with the goal that scholarships will be renewed each year so long as the recipient demonstrates financial need and maintains a 2.5 GPA while enrolled at an accredited post-secondary institution.

Your scholarship program will be publicized by informing relevant college guidance personnel in B area high schools and community organizations about the scholarship. Your announcement will include a summary of the eligibility criteria, contact information, and a statement that teachers, schools, or educators can recommend promising students for the scholarship. A copy of the application will be disseminated to your partner schools, school districts, and community organizations.

Your selection committee is composed of four members of your board of directors and may also contain any other member that is chosen unanimously by your board. Changes to membership will be made at your annual meeting, or as necessary, should vacancies arise. Current and former officers, donors, and any immediate family members would be considered ineligible recipients of the scholarship.

You will supervise the scholarships by compiling a record of recipients, starting with records obtained through the application process. Recipients must sign a letter granting you access to grade and enrollment records. Two consecutive semesters below a 2.5 GPA will result in the loss of scholarship. Recipient must provide the previous term grade

report and upcoming term's enrollment schedule before the next term's payment is made to the educational institution. If the terms of the scholarship are violated, the scholarship will be withdrawn.

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, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the 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 related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the 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.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements