

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

Department of the Treasury

Release Number: **201734011**
Release Date: 8/25/2017
Date: **June 1, 2017**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Program
C = City
D = Program
E = Program
m dollars = Amount
n dollars = Amount
p dollars = Amount

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship and educational grant procedures under Internal Revenue Code section 4945(g)(1) and 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

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 section 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

4945(g)(1) Scholarship Programs

Your letter indicates you will operate three scholarship programs. The first program is called B. The purpose of B is to provide grants to individuals in elementary and high school from low socio economic households in the city of C.

To be eligible for consideration the applicant must meet the following minimum criteria:

- Current or potential applicants to the private schools participating
- Reside in a low socio-economic C neighborhood as evidenced by proof of residence
- Have a demonstrated financial need as determined by such participating schools
- Are nominated by the schools participating in B, and
- Have demonstrated personal motivation, and academic potential.

Participating schools will nominate five to ten candidates from the applicants to your board who will ultimately decide the recipients. Selection of recipients will be based on the following criteria by the selection committee and the participating schools:

- Demonstrated financial need as determined by the participating schools
- Standardized and academic test scores, and
- Recommendation from teachers or community members.

Each grant will be approximately m dollars per person per year. Initially you will provide one to three grants per year depending on available resources. Grants will not be eligible to be automatically renewed. However, prior applicants can apply again as long as they meet the eligibility criteria. Scholarships will be distributed directly to the educational institution. If a student leaves the school the school will be required to return the funds to you.

You also indicated you will operate a scholarship program called D. The purpose of D is to provide financial assistance to students enrolled in a four-year degree-granting college or university.

Potential recipients will submit an application found at your website along with school transcripts, ACT/SAT test scores, a resume, biography and written statement. To be eligible for consideration the applicant must meet the following minimum criteria:

- Admitted or enrolled at a participating college or university on a full-time basis
- Have a demonstrated financial need, and
- Have a history of exemplary academic achievements.

A screening committee, comprised of your officers, school representatives of professors, business associates and community leaders, will make recommendations of the applicants to your board, which will ultimately choose the recipients. Selection of recipients will be based on the following criteria:

- Demonstrated academic achievements and financial need
- Leadership abilities
- Potential to make a difference in the world, and
- Approach to academic, social and spiritual education.

Each grant will be will approximately n dollars per person per year. Grants will be renewed unless the recipient drops out of school, low academic performance, suspension or engaging in illegal activity. In addition the recipient must submit a written narrative progress report, transcripts and confirmation there has been no significant change in their financial situation.

You will also operate a third scholarship program called E. The purpose of E is to provide scholarships to individuals enrolled in vocational schools or educational certification programs. The program is for non-traditional students such as ex-offenders, previous drug or alcohol addicts or others looking to have a serious and positive life.

To be eligible for the scholarship applicants must have:

- A demonstrated financial need
- Been nominated by a participating charitable organization
- Demonstrated personal motivation, and
- Demonstrated a desire to rehabilitate their live as determined by the participating charitable organization.

Selection of recipients will be determined by your board based on the following criteria:

- Financial need
- Nomination by participating charitable organization
- Personal motivation, and
- Potential to benefit from the job training and improve their lives and community.

You estimate providing one or two scholarships each year worth approximately p dollars per person per year. The number of scholarships may change depending on available resources. Grants will be renewed each school year as long as the recipient meets the following:

- Enrolled in the school or program
- Submit a written progress report
- Submit transcripts, and
- Confirmation there has been no significant changes in their financial position.

4945(g)(3) Internship Program

Your letter indicates that you will operate an educational grant program that supplements your program called D, described above. The purpose of this program is to provide individuals already receiving the D scholarship a monetary supplement for basic living expenses while the recipient is working an internship. The grants are intended to foster and enhance the recipient's leadership skills, confidence, judgement, problem solving skills, etiquette and professional development while at the internship.

Potential recipients will submit an application found at your website. To be eligible for consideration the applicant must meet the following minimum criteria:

- Admitted or enrolled at a participating college or university on a full-time basis
- Have a demonstrated financial need
- Have a history of exemplary academic achievements, and
- Have a summer internship that either pays no compensation or does not pay sufficient compensation for basic living expenses.

A screening committee, comprised of your officers, school representatives of professors, business associates and community leaders, will make recommendations of the

applicants to your board, which will ultimately choose the recipients. Selection of recipients will be based on the following criteria:

- Demonstrated academic achievements and financial need
- Leadership abilities
- Potential to make a difference in the world, and
- Approach to academic, social and spiritual education.

Children or relatives of your officers, directors, substantial contributors or selection committee members are not eligible for your scholarships.

Each grant will be will approximately n dollars per person per year. Grants will be renewed unless the recipient drops out of school, has low academic performance, is suspended or engaged in illegal activity. In addition, the recipient must submit a written narrative progress report, transcripts and confirmation there has been no significant change in their financial situation.

Children or relatives of your officers, directors, substantial contributors or selection committee members are not eligible for your scholarships or supplemental awards.

For all of your programs, you represent 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 diversions 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 whether a grantee is a disqualified person, (3) establish the amount and purposes 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 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.

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 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