

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

Department of the Treasury

Release Number: **201828011**
Release Date: 7/13/2018
Date: April 16, 2018

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

m dollars = Amount
n dollars = Amount
p dollars = Amount
q dollars = Amount

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship and educational grant procedures under Internal Revenue Code Sections 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 programs 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 the scholarship grant program 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 Program

Your letter indicates that you will offer a scholarship program to qualifying individuals for private high school, college or graduate work that will be applied to tuition and other necessities of the educational curriculum such as books and exam fees.

The purpose of these scholarships is to provide qualifying individuals with the ability to attend educational institutions to continue their education. Your aim is to find individuals who do not have financial means to pursue academic excellence and who, if enabled to

pursue academic studies at best-fit institutions, are likely to make a difference in the world or a contribution to society.

The size of the scholarships will vary and will be dependent on factors such as available resources, financial need of the applicant, and tuition and educational related expenses, but will be up to m dollars per academic year. The number awarded will be dependent upon the number of qualified applicants and available resources. You anticipate awarding anywhere between two and ten scholarships each year. Whenever possible, you will award the scholarships to individuals who would not otherwise be able to attend school, college or continue at the graduate or post-graduate level due to financial ability.

Any qualified student interested in furthering his or her field of study in the United States will be eligible for your scholarships, which will not be limited to a particular level of study. It may include high school, college, graduate or post-graduate level activities. You will make the details of your scholarship program available to local middle and high school personnel and community-based organizations that work with qualified candidates, as well as through your website.

Eighth grade students will be eligible for your scholarship program on a need and aptitude capacity. He or she must be, or plan to become, a candidate for a degree at an eligible high school and must use the grant to pay for qualified educational expenses. Graduating high school students (or equivalent) and students seeking to continue their education at the college, graduate or post-graduate level will be eligible on a need and aptitude capacity. He or she must be, or plan to become, a candidate for a degree at an eligible educational institution and must use the scholarships and grants to pay for qualified educational expenses.

Scholarship recipients will not be limited to any particular school or institution. However, the educational institutions to which a potential recipient intends to attend must be described in Section 170(b)(1)(A)(ii) of the Code. When selecting recipients of scholarships, you will not discriminate on the basis of race, color, creed, age, sex, gender, sexual preference or orientation, disability, or national or social origin. Recipients will be selected on an objective and nondiscriminatory basis.

4945(g)(3) Grant Program

The purpose of your grant program is to provide qualified individuals with the ability to enrich their education in a formal setting and to provide students from lower income backgrounds with the opportunity to attend programs to enrich their academic experience, hone their leaderships skills, and provide opportunities for continued learning over the summer.

You will seek to level the playing field for lower income students by paying third party test preparation companies to provide tutoring or group courses to lower income students for the SAT and/or ACT. The purpose of these grants is to increase students' test scores and

increase his or her chances of attending college and qualifying for scholarships that require minimum test scores.

You will also provide grants to help students attend college tours through organized tour groups to expose students to the different types of colleges and post-secondary education institutions available. These grants would only be open to current middle or high school students.

The number of your grants will be dependent upon the number of qualified applicants and available resources. The grants would not exceed n dollars for summer programming, p dollars for test prep, or q dollars for college tours. Grant applications will be solicited annually. Grants are not renewable. However, recipients may reapply for a grant for a different educational enrichment activity.

Rising eighth grade students are eligible for your grant program, which is based on need and aptitude. Whenever possible, you will award the grants to individuals who would not otherwise be able to attend programming or achieve academic excellence due to financial ability.

The grant applicant must provide links to the website for the program or test prep company they hope to attend as well as unofficial transcripts, an essay, application materials, family income estimate and letters of recommendation. Grants may be used to further academic study over the summer, increase standardized test prep, or enrich post-secondary or career knowledge through other organizations. A student could not request funds for a personal project but rather a formal course of study or test prep. Whenever possible, the grant will be paid directly to the educational enrichment third party or school but, if needed, the recipient may apply for reimbursement of educational expenses.

In selecting individuals to receive both your scholarships and grants, you will look at the applicant's aptitude and potential based on past accomplishments, prior academic performance and overall character. Applicants having the most promise in terms of academic ability and likelihood of growing and benefiting from the course of study will be selected. The decisions will be non-biased and those best qualified, most promising, and most in need will be chosen.

The main criteria to be used in the selection of recipients of your scholarships and grants will be academic performance and financial need. To qualify for renewal of a scholarship or grant, recipients must demonstrate continued need and must maintain a passing grade point average and enrollment at their educational institution.

Your selection committee will consist of your board of directors. However, your board of directors may appoint a selection committee consisting of volunteers and/or your directors. Neither your board of directors, the selection committee members, their relatives, nor any other disqualified persons will be in a position to receive a private benefit, directly or indirectly, from the award of any of the scholarships.

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, (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: (1) maintain 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 Regulation 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.

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