

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

Department of the Treasury

**Number: 201833028
Release Date: 8/27/2018**

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

Date: May 24, 2018

LEGEND:

s= number

u dollars = amount

w dollars = amount

UIL: 4945.04-04

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g)(1) and for advance approval of your educational grant procedures under Internal Revenue Code Section 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 scholarship grants under Internal Revenue Code Section 4945(g)(1). We also determined your procedures for awarding educational grants meet the requirements of Code Section 4945(g)(3). Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarship and educational grants meet the requirements of Code Sections 4945(g)(1) and 4945(g)(3) respectively. As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under Code Sections 4945(g)(1) are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code Section 117(b)).

Description of your request

Your letter indicates that you will provide educational grants to individuals in the form of scholarships awarded for study at qualified educational institutions. Qualified educational institutions shall consist of nationally accredited educational

institutions as well as vocational and trade schools described in Section 170(b)(1)(A)(ii) of the Internal Revenue Code. Awards made under your scholarship program will cover tuition, fees and education-related travel and expenses of qualified grantees.

You also state you will be operating a grant program (fellowship) that provides for direct, merit based funding to cover travel expenses of qualified university students participating in the qualifying university's existing study abroad program.

Fellowship awards will be granted to qualified grantees for the purpose of study or research in a particular area or field or to achieve a specific objective, produce a report or other similar product or to improve or enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill or talent of the grantee.

All fellowship grants are awarded in connection with any study abroad program sponsored by a qualifying educational institution and will follow the same criteria as the scholarship program. This program will allow students to enhance skills specific to each qualifying institution's particular established study abroad program.

The amount of all scholarship and fellowship awards granted under your programs will vary depending upon the total level of funding allocated to such awards during a given fiscal year, if any. Your trustees shall, for any fiscal year, establish award amounts, number of awards and any other criteria the trustees deem appropriate for purposes of the scholarships and/or fellowships awarded. Typically, this should be about s awards each year not to exceed u dollars. An average award will be w dollars.

Notices and promotions of both scholarship and fellowship programs shall be distributed to qualified educational institutions based upon the specific criteria established by your trustees. The promotions and notices may be made by brochures, newsletters, direct mail, scholarship directory listings, Internet-based resources (list serves, etc.) or a combination of one or more of these and/or other resources the trustee's deem best suited to publicize each specific program. Additional notice may be made directly to qualified educational institutions via department chairs (or equivalent), program officers, student aid officials and other persons or entities affiliated with or with access to qualified educational institutions.

You will exercise expenditure responsibility and maintain case histories showing recipients of all scholarships and fellowships granted, including names, addresses, purposes of grant, amount of each grant, manner of selection and relationship (if any) to officers, trustees or donors of funds.

Under all circumstances, grantees shall be selected on an objective and nondiscriminatory basis and the group from which grant recipients are selected must be sufficiently broad to assure that making grants to one or more members

of the group fulfills a charitable purpose. Awards for scholarship and fellowship grants shall be based on, but not limited to, the following: prior academic performance; tests used to measure aptitude for educational work or skills for use of awards; artistic, scientific or literary portfolios; instructor recommendations or other qualified individuals; biographical information regarding career, academic or other relevant experiences; financial need; and any other conclusions which the selection committee may draw as to the applicant's motivation, character, ability or potential. Criteria may also include the applicant's place of residence, past or future attendance at a particular school, past or proposed course of study or evidence of his/her artistic, scientific or other special talent.

For a specific grant round, preference may be given to applicants of a particular sex, race, ethnic background or religion so long as such preference does not violate public policy and is so applied on an objective and nondiscriminatory basis to the group of qualified applicants.

Scholarship and fellowship grantees may be: (a) primary or secondary school students; (b) undergraduate or graduate students at a college or university who are pursuing studies or conducting research to meet the requirements for an academic or professional degree; or (c) students (part or full time) who receive scholarship for study at an educational institution that provides an educational program acceptable for full credit toward a bachelor's or higher degree or offers a training program to prepare students for gainful employment in a recognized occupation and is authorized under federal or state law to provide such program and is accredited by a national recognized accreditation agency. All scholarship grants must be used for tuition and related expenses (including educational travel) at an educational institution described in Section 170(b)(1)(A)(ii) of the Code, i.e., such institution must normally maintain a regular faculty and curriculum and must normally have regularly organized body of students in attendance at the place where the educational activities are carried on. In connection with scholarships awarded to pay for a course of study leading to a certificate or a higher skill level, criteria shall be related to the purpose for the award and may include financial need, character, ability, motivation, potential and the relevance of the candidate's course of study and career objectives to the charitable purpose of the Trust.

Your trustees shall appoint a selection committee comprised of individuals independent from you and charged with implementation of the specific criteria set by your trustees for the current year to evaluate candidates for the year and to set guidelines and select recipients. You anticipate that, in general, each selection committee will consist of at least three persons qualified to evaluate applications and awards where, preferably, at least one individual has a background relating to the specific subject matter of the current year. While your trustees appoint all members to each selection committee, in no event shall any appointment consist of any person or persons related (directly or indirectly) to

any trustee nor shall any appointment consist of any person or persons who are financial contributors/donors to you. The selection committee members shall maintain independence from your trustees and shall not have access to your financial information. No trustees, donors, contributors or other related parties shall have any involvement in the actual decision-making process by the selection committee with respect to the determination of the recipients and awards to which each is entitled. The selection committee shall adhere to a conflict of interest policy and confidentiality policy. Every member of the selection committee shall be required to disclose any personal knowledge of and relationship with any potential grantee under consideration and to refrain from participation in the award process in any circumstance where he/she would derive, directly or indirectly, a private benefit if any potential grantee(s) is selected over others. No grant covered by this policy may be awarded to any person related, directly or indirectly, to a trustee, financial contributor/donor to you, any employee of yours or any other disqualified person as defined in Section 4946(a) of the Code.

Each scholarship or fellowship grant may be paid directly to the educational institution for use by the scholarship/fellowship recipient under an arrangement whereby the institution will only apply grant funds if the recipient is enrolled at such educational institution and his/her standing at such educational institution is consistent with the purposes and conditions of the award. A condition of each award is that it will be used only for qualified tuition and related expenses including: (a) tuition and fees required for enrollment or attendance at the educational institution; (b) fees, books, supplies and equipment required for courses of instruction at the educational institution; and (c) room and board.

When a scholarship/fellowship award/grant is paid to a person other than an educational institution or if the award is for expenses other than qualified tuition and related expenses within the meaning of Section 117(b)(2) or for room and board, you must receive a report on the progress of each recipient at least annually (or more often as requested by your trustees). This report must include a summary of the use of the funds awarded (to include receipts for all expenditures) and, where applicable, the grantee's courses taken (if any), grades received (if any) and/or educational activity conducted during each academic period. The report must be verified by the educational institution (or other qualified person as authorized by the trustees), which shall also issue a final report.

Unless otherwise directed by your trustees, as a condition of the grant, grants made to qualified individuals to achieve a specific objective will be required to provide a written report to the trustees regarding the grantee's activities and use of funds at the end of the grant period. If the grant is for a term of longer than one year, periodic written reports will be required at least annually. Any funds not expended for the purpose of the award must be returned to you for use in furtherance of your mission and the charitable purposes. Should required reports

not be provided when required or otherwise specifically requested, or should the reports indicate the funds are not being used in furtherance of the purposes of the grant, your trustees shall be under duty to investigate. While conducting its investigation, you shall withhold further payments, if any, to the extent possible, until all delinquent reports as required have been submitted, or until all misuse of funds have been remedied. You will take all reasonable and appropriate steps to recover misused grant funds and/or ensure restoration of the diverted funds. Such steps may include withholding future grants to grantee until it has assurance from the grantee that future diversions shall not occur, and shall require the grantee to take extraordinary precautions to prevent future diversions. "Reasonable and appropriate steps" may include legal action where deemed appropriate by the trustees, but need not include legal action if such action would in all probability not result in the satisfaction of execution on a judgement.

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 covers only 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 precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in 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 make 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 must 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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements