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

Department of the Treasury

Release Number: **201926020**
Release Date: 6/28/2019
Date: April 1, 2019

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND
M = Name
N = School
P = Program
x 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 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 Sections 4945(g)(1) and 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Also, Section 4945(g)(1) 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 provided in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called M.

Your purpose is to make grants to public charities to support programs that educate, protect, comfort, and enrich the lives of children in your state by helping these children to become confident and productive adults.

The purpose of M is to award scholarships to N seniors that have graduated from P who have shown the passion to succeed despite facing economic challenges. Because many students receive insufficient funds to cover basic tuition and fees for the school, you will make a grant to cover some or all of the student's expenses. M was designed to help students cover costs of critical needs not covered by academic scholarships or Pell grants and will cover expenses described in Section 4945(g)(1) such as tuition as well as expenses described in 4945(g)(3) such as expenses for basic supplies, transportation, travel and living expenses. Each scholarship will be approximately x dollars per year with one half of the award applied to each semester. Initially, one scholarship will be granted each year, although this may increase with the success of the program and needs of the graduates.

To promote M, you will provide relevant information and copies of the application to high school guidance counselors and administrators. Applicants must submit the completed application with required attachments including a copy of their personal statement, a letter of recommendation from a teacher in a core subject, and an essay as well as transcripts, standardized test scores, and a copy of their college of choice acceptance letter. Furthermore, applicants must have been accepted to a top-ranking out-of-state university prior to applying for the scholarship and have a financial aid package submitted to the university.

Your selection committee will be appointed by your board of directors and will initially consist of two members of your board of directors and three members of N, including the president, principal, and the assistant principal who also serves as the director of P. The selection committee will award each scholarship using objective criteria including the applicant's course of study, grade point average, career objectives, and financial need. It is anticipated that a preference will be given to those students who will be the first person in their family to attend a college or university.

A student may apply for a renewal of the scholarship. To qualify for renewal, the recipient must:

- Maintain the GPA requirement set forth by you.
- Send a transcript to you at the end of each semester showing current grades and GPA.
- Send a letter to you at the end of each semester to share their progress, thoughts and challenges.
- Send you receipts for all the funds used and a reconciliation to the award granted.

Moreover, you may require the student to take part in a campus work study program in their freshman and sophomore years.

You will generally provide the scholarship funds to the school. You may also purchase basic supplies for the students recommended by their school or contribute to their student account.

You will arrange to receive a report of the student's courses taken and grades received in each academic period. You will require that the report be verified by the educational institution attended by the student and will be obtained at least once a year. Upon completion of the student's study, you will also obtain a final report.

Where the reports or other information, including the failure to submit reports, indicates that any or all part of the grant is not being used in furtherance of the purposes of the grant, you will conduct an investigation. While conducting this investigation, you will withhold further payments to the extent possible until any delinquent reports have been submitted.

You have indicated you will (1) arrange to receive and review grantee reports periodically, to ensure compliance with the purpose of the grant, (2) make tuition payments or payments for housing directly to the educational institution when possible, (3) distribute and ensure grant funds held by the grantee are used for their intended purposes, (4) investigate any perceived diversions of funds from their intended purposes and ensure such actions do not occur in the future, and (5) receive donations from a limited number of donors who are supportive of your program and provide appropriate documentation and reporting to donors.

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 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.

Under 4945(g)(3), 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