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

Release Number: **201936013**
Release Date: 9/6/2019
Date: June 13, 2019

Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Legend
C = Company
D = Field of study
E = Field of study

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 provided in Code Section 117(b)).

Description of your request
Your letter indicates you will operate a grant program. The purpose of your grant program is to promote and advance education in the fields of D and/or E.

You will award scholarships for the purpose of pursing a graduate or undergraduate degree in the fields of D and/or E. Moreover, your scholarships are only available to students who are attending accredited universities. The scholarships will be for tuition and other expenses incidental to the educational purposes of the grant. The grants will be made on an objective and nondiscriminatory basis.

You are contracting with C who will provide administrative support services to you in administering the program. C is a third-party entity that specializes in scholarship management services and operates independently from you. C will promote your program and be responsible for the application and selection process. Interested students are required to complete an application and submit it to C. C is responsible for collecting and reviewing all applications. The application will include a complete biographical record and supporting material, and letters of reference (which include recommendations from teachers or principals).

C will conduct a preliminary evaluation of the applicants and will then recommend six to eight applicants for consideration by the Review Board. The Review Board will review C's recommended applicants and will decide as to the most qualified and deserving candidates. Finally, the Award Board will, absent concerns, approve the final grant recipients based on the recommendations of the Review Board.

The Review Board will consist of individuals (i) who are your full-time employees or your affiliates, and (ii) appointed by the Award Board. The Award Board will consist of your board of directors.

The following are the general criteria used by C, the Review Board, and the Approval Board for selecting applicants to receive grants:

1. Eligible students have an established record of academic achievement (i.e., grade point average, standardized test scores, etc.);
2. Eligible students have experience working, interning, or volunteering in the fields of D and E, or in any related fields; and
3. Eligible student's contributions to the fields of D and E (i.e., papers, other material written work, publications, conferences presented, etc.).

No employee of yours, your affiliates, or "disqualified persons" shall be eligible to receive grants.

You will send a letter to the recipients explaining the terms and conditions of each grant. The recipient is required to communicate their acceptance of the scholarship's conditions by a letter in writing to you. In each case, it is stipulated that a renewal of the grant for any succeeding period is contingent upon evidence of adequate performance at the time of review by the Review Board.

Following acceptance of a grant by a recipient, you will also obtain an agreement from the educational institution, in which the recipient is enrolled and attending, to use your funds to defray the recipient's expenses consistent with the purpose of the grant. You will generally then pay the grant directly to the educational institution. The recipients will generally purchase their books and supplies and then submit the appropriate receipts to your Board of Directors for approval and reimbursement.

With respect to individual scholarships, you will arrange to receive a report of the grantee's courses taken (if any) and the grades received (if any) in each academic period. Such a report must be verified by the educational institution attended by the grantee and is obtained at least once a year. Such a report must be approved by the faculty member supervising the grantee or by another appropriate official of the institution. Upon completion of a grantee's study at an educational institution, a final report is also obtained. In addition, the educational institution must agree to use the grant funds to defray the recipient's expenses or pay funds to the recipient only if he/she is enrolled at the educational institution and his/her standing at such institution is consistent with the purposes and conditions of the grant. You will also arrange to receive a separate annual report from the recipient summarizing the recipient's academic experience.

A professional staff member or director of yours has the responsibility to follow the progress of the individual grant, that is, to review each report submitted by the funded educational institution or person, to decide as to whether the grant purposes are being or have been fulfilled, and to investigate any questions requiring further scrutiny or investigation.

For oversight, where reports or other information (including failure to submit reports after a reasonable time has elapsed from their due date) indicate that all or any part of grant funds are not being used for the purposes of such grant, you will initiate an investigation. While conducting such investigation, you will withhold further payments to the extent possible until you have determined that no part of the grant has been used for improper purposes, and until any delinquent reports have been submitted.

If you learn that any part of a grant has been used for improper purposes, you will take all reasonable and appropriate steps to recover diverted grant funds or to insure the restoration of diverted funds and the dedication of other grant funds held by the grantee to the purposes being financed by the grant.

If you determine that any part of the grant has been used for improper purposes and the grantee has not previously diverted grant funds to any use not in furtherance of a purpose specified in the grant, you will withhold further payments on the particular grant until (1) you received the grantee's assurances that future diversions will not occur, (2) any delinquent reports have been submitted, and (3) you have required the grantee to take an extraordinary precaution to prevent future diversions from occurring. If you determine that any part of the grant has been used for improper purposes and the grantee has previously diverted grant funds, you will withhold further payment until the three conditions of the preceding sentence are met and the diverted funds are in fact recovered or restored.

You will retain all records submitted by the grantees and their educational institutions. You will obtain and maintain in files all evidence that no recipient is related to you, an employee of your, your affiliates or any members of the Review and Award Board.

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.

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