



Date:
03/12/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202523014
Release Date: 6/6/2025

LEGEND

UIL: 4945.04-04

B = Program
C = Location
D = Location
E = State
F = University
G = University
H = Number
J = Name
x dollars = Dollar
y dollars = Dollar

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

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 IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Additionally, 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 IRC Section 117(b)).

Description of your request

Your letter indicates you will operate the B, which seeks to strengthen access to higher education for students from under-resourced areas within the C, D, and eastern E. Your program will award four-year scholarships

to exceptional students who need financial assistance to pay for their tuition and educational expenses to study at F and G, which are both nationally recognized institutions described in Internal Revenue Code Sections 509(a)(1) and 170(b)(1)(A)(ii).

You award approximately H four-year scholarships to students attending F and H four-year scholarships to students attending G annually. F and G will administer your scholarships and collaborate with you on recruitment initiatives and offer an agreed-upon amount of financial assistance. Scholarship recipients may receive up to x dollars annually for up to four years, for a total of y dollars. You publicize your scholarship program to the general public in various ways, including advertising on websites and databases, organizing annual webinar sessions, distributing promotional materials to local high schools, and scheduling regular visits between your representatives and regional counselors. You place no limits on the number of eligible individuals who may apply for your scholarships. Your only eligibility requirement for applying for your scholarships is students must be graduating seniors who attended high school within the C, D or eastern E.

Your selection criteria will be based on the following:

- a) Financial need - Partnership agreements with F and G require that students complete the Free Application for Federal Student Aid (FAFSA) annually. Per the language of the partnership agreements, recipients should be students with a demonstrated need for financial assistance who would be unlikely to attend F or G unless they receive your scholarship or similar scholarship. Priority is given to applicants with financial need who identify as first-generation students.
- b) Prior academic performance - Selected applicants must meet the minimum GPA and testing requirements agreed upon between you and F and G. Selected applicants are expected to have a minimum GPA of 3.50 on a 4.00 scale and a 1220 SAT score or 25 ACT score.
- c) Demonstrated leadership potential
- d) Community involvement

Your scholarship selection committee will be comprised of representatives appointed by you and F and G. The majority of committee seats will be appointed by F and G. F and G committee members will complete the initial review of applications to ensure all qualifications are met by the applicants and reduce the pool to an agreed-upon number of top applications. The joint selection committee will then make final decisions based on established criteria to ensure fairness, objectivity, and non-discrimination.

Scholarships will be renewable based on the following criteria:

- a) Attend the J orientation and the annual meeting
- b) Reside on campus at a J residence hall for the first year
- c) Enroll each consecutive semester, except summer
- d) Carry a full course load (30 credit hours per year)
- e) Uphold regular class attendance
- f) Maintain a minimum grade point average of 3.00 each semester
- g) Engage in leadership, volunteer work, and extracurricular activities on campus
- h) Comply with the partner university's code of conduct
- i) Complete the Free Application for Federal Student Aid (FAFSA) annually
- j) Submit a report each semester documenting progress, struggles, extracurriculars, courses taken, and unofficial transcripts
- k) Make a concerted effort to graduate in four years

F and G generate an invoice for each student scholarship recipient after the university's official date for certification of enrollment each semester. Each invoice details financial aid and other scholarships awarded to each recipient and the amount owed by you per student. You then transfer the appropriate funds to each

university's respective foundation. Each university's foundation then transfers the funds to the respective university in accordance with the relevant partnership agreement and in accordance with its fiscal policies and procedures.

F and G will administer all scholarship funds and manage all cases of academic probation. At the end of each academic semester, F and G may place students on academic probation if they do not meet the minimum expectations for GPA, course loads, class attendance, and participation in leadership and extracurricular activities. During the probationary period, the F and G and scholar advisors will work with students to help them reach the minimum scholarship standards. You may determine to terminate the scholarship for the following year if significant strides are not made toward reaching the minimum expectations. If reports indicate that the recipient is no longer pursuing academic study, you will withhold all payments. Additionally, if report submissions indicate that any part of a scholarship is not being used in furtherance of educational activities, you will withhold further payments and investigate the use of funds.

You maintain case histories showing recipients of your scholarships, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and ensure other grant funds held by a grantee are used for their intended purposes, and
- 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 diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify a grantee is a disqualified person,
- Establish the amount and purpose of each grant, and
- Establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. 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 the following requirements of IRC 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 IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC 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 IRS at:

Internal Revenue Service
Exempt Organizations Determinations
TE/GE Stop 31A Team 105
P.O. Box 12192
Covington, KY 41012-0192

- You can't 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 IRC Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grants distributions with the IRS if necessary.

We'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed Letter 437, Notice of Intention to Disclose - Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

Please keep a copy of this letter in your records.

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437