Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date:
06/09/2025
Taxpayer ID number:

Person to contact:

Release Number: 202536046
Release Date: 9/5/2025

LEGEND
B = Program B
C = Program C
D = Organization
E = Number Range
F = Number
G = Countries
H = Continent
J = Organization
K = Organization
L = Countries
m dollars = dollar amount

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under IRC Section 4945(g)(3).

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.

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 provide in IRC Section 117(b)).

We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate operate two educational grant programs called the B and the C. These two programs are part of your D initiative designed to connect individuals who migrate in pursuit of socioeconomic mobility with greater economic opportunities through higher education and skill-building for workforce readiness.

Program B

The purpose of the B is to provide scholarships to enable high-potential international students from low-income communities studying abroad and struggling financially to complete their final year(s) of college. Students must be undergraduates enrolled in their ultimate or penultimate year of study and attending accredited institutions of higher education described under IRC Section 4945(g)(1).

Under B, you expect to award between E scholarships per year worth up to m dollars each. In the future, you may increase the number of scholarships awarded to F or more per year. Your scholarships may be used to pay for tuition, housing, healthcare, food, academic supplies, and other approved and related educational expenses.

To be eligible to apply for the B, applicants must meet the following criteria:

- Be an international student (i.e., a non-citizen or permanent resident of the country in which they are studying) in their ultimate or penultimate year of undergraduate studies
- Studying in an accredited post-secondary higher education institution in the countries of G or in the continent of H (or other countries identified by you if you expand the program to additional countries of study)
- Be enrolled in a full-time undergraduate degree program for the coming academic year or a corresponding time frame for universities with different academic systems

Specific criteria you use to select recipients include the following:

- Academic standing
- Level of financial need
- Involvement in local community
- Perceived drive or motivation, and quality of the application for scholarship award

Previously, you made an annual grant to the J, which, pursuant to its own scholarship program, solicited applications, selected grant recipients, and distributed scholarships to its selected grant recipients. You reviewed these scholarship recipients but did not provide final approval for their selection. Now, you intend to operate the B and actively participate in selecting and approving scholarship recipients. You will either conduct all activities through direct involvement of your directors, officers, staff and/or volunteers, or you may continue to utilize the J, or another public charity scholarship program facilitator which is federally tax exempt and described under IRC Sections 509(a)(1), 509(a)(2), or 509(a)(3), to assist in your solicitation of applications, selection of grant recipients, and distribution of scholarship grants.

If you choose to use the J or another public charity scholarship program facilitator, you will enter into an agreement which outlines their duties and responsibilities, such as assisting you in soliciting applications (including receiving nominations from educational institutions and other academic groups) and sending a shortlist of potential recipients for your review and approval. The facilitator may also assist in notifying applicants of selection and disbursing scholarship funds.

You will publicize your scholarships and the application process through the Internet, social media, and press releases. You may utilize a public charity scholarship program facilitator, or you may also send targeted emails to relevant academic departments, international student and scholar service offices, and faculty of institutions of higher education, or conduct webinars to introduce and explain the application and selection process to such groups. Interested students must be nominated by a representative from their higher education institution.

Your review committee will be comprised of individuals that have shown interest to participate and have a unique perspective to bring to your committee. If you use the J or a public charity scholarship program facilitator, the review committee will coordinate with the entity and review and approve scholarship recipients from the shortlist of potential recipients sent to you. You present that you strive to have a mix of different seniority or levels of seniority from within your organization who have an interest in promoting the greater social good and value opportunities to give of their time as volunteers.

Your scholarships are renewable. To maintain or renew a scholarship, recipients must be enrolled as full-time students in a Bachelor or Bachelor-equivalent program at their prospective academic institution as international students and must be entering their ultimate or penultimate year. You will pay your scholarships directly to recipients under the terms and conditions of your program.

Your oversight procedures for your scholarships will involve performing the following supervision and compliance activities:

- supervising and ensuring compliance with any and all parameters of the scholarships;
- collecting a signed terms and conditions of award agreement from each recipient, as well as tuition verification, proof of enrollment, and, if necessary, academic transcripts; and
- conducting audits, including on-site audits, at any time during the terms of the terms and conditions of award and for a period of five years after the termination date of the agreement.

You will comply with the Office of Foreign Assets Control (OFAC) and all United States statutes, executive orders, and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by the OFAC. You will also check the OFAC List of Specially designated Nationals and Blocks Persons for names of individuals and entities with whom you deal to determine if they are on the list and acquire any appropriate licenses and registration from OFAC when administering this program.

Program C
The purpose of the C is to provide grants for business entrepreneurs and community leaders from or working with highly marginalized, refugee, and forcibly displaced communities to attend a 16-week educational program hosted by the K, an IRC 501(c)(3) exempt organization. The program includes venture acceleration and leadership training, networking, and mentorship, as well as an educational summit to present ventures to a global audience, to provide grant recipients an opportunity to launch and expand community-focused ventures to serve geographically displaced communities. Designed to complement existing venture work, your program provides recipients an immersive and experiential educational program to support their real-world work.

Under the C, you expect to award between E grants per year, worth up to m dollars each. In the future, you may increase the number of scholarships awarded to F or more per year.

To be eligible to apply for the C, applicants must meet the following criteria:

- Be from or work in one of the foundation's key geographic areas in L (although you will periodically review and update the countries identified as key geographies)
- Serve or identify as a migrant (i.e., be from a refugee or forcibly displaced community or live across geographical borders)
- Seek to have a positive impact on society through their venture/idea, demonstrate a high quality venture/idea that is feasible and serves a key need for those/the community it serves
- Demonstrate that they have the background/expertise/education or experience to carry out the activities of the venture/idea and have made some traction in attempting to do so
- Demonstrate they are dedicated to the venture/idea through tangible activities

Specific criteria you use to select recipients include the following:

- Proof of concept/quality of business plan
- Personal achievements and or past awards/recognition/certifications/degrees
- Positive media mentions pointing to the character of the individual and/or company/venture
- Perceived drive/motivation commitment, and quality of application
- Communication/leadership qualities

Previously, you made grants to the K, an IRC Section 501(c)(3) exempt organization, which solicited applications, selected recipients, and distributed grants to permit recipients to attend the K's educational seminars and programs. Now, you intend to actively select and approve grant recipients, while the K will continue to assist you by soliciting applications, selecting recipients, and distributing the grants to your recipients.

You will publicize your grants and the application process through your and the K's websites, social media, and press releases. You may also send targeted emails to relevant academic departments, international student and scholar service offices, and faculty of institutions of higher education, or conduct webinars to introduce and explain the application and selection process to such groups.

Your review committee will be comprised of individuals that have shown interest to participate and have a unique perspective to bring to your committee. Your review committee will review and approve proposed recipients of grants under the C. You present that you strive to have a mix of different seniority or levels of seniority from within your organization in such departments as compliance, legal, marketing, etc., and also from those who have an interest in promoting the greater social good and value such opportunities to volunteer.

Your grants are non-renewable. To attend another program, a previous recipient would need to reapply the next year. You may rescind grants if you or the K learns of negative press or negative feedback from the community, your stakeholders, other fellows in the program, or otherwise. Funds will be paid by the K directly to recipients under your terms and conditions for the fellowship awards.

The K will continue its responsibility for the C's oversight procedures, including supervising and ensuring compliance with any paraments of your grant program and:

- collecting a signed Terms and Conditions of Award document from each recipient and executing an intensive background check on each recipient and their ventures;
- conducting audits, including on-site audits, at any time during the program; and
- paying stipends and seed funding awards directly to recipients under your terms and conditions of scholarship award.

You will comply with the Office of Foreign Assets Control (OFAC) and all United States statutes, executive orders and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by the OFAC. You will also check the OFAC List of Specially designated Nationals and Blocks Persons for names of individuals and entities with whom you deal to determine if they are on the list and acquire any appropriate licenses and registration from OFAC when administering this program.

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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
  - A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public.
  - 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 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 grant 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.

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, 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

cc: