



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

Date:
09/16/2025
Taxpayer ID number:

Person to contact:

Release Number: 202550036
Release Date: 12/12/2025

LEGEND

B = State
C = College
D = Name
E = Name
F = Name
G = Name
H = Name

w percent = percentage amount
x dollars = dollar amount
y dollars = dollar amount
z 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). 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 various scholarship programs to provide financial assistance to students in B. Your programs support students who seek to improve their lives through educational opportunities while benefiting society and the workforce by increasing their skills. You will publicize your programs at select high schools in B, additional secondary schools and relevant institutions. You may utilize education counselors to assist in encouraging the student population to apply.

Overall, to be eligible for each of your programs, each applicant must meet the following requirements:

- Meet the minimum admissions standards of, and expect to attend, an educational institution that meets the standards of education as defined in IRC Section 170(b)(1)(A)(ii)
- Demonstrate financial need
- Graduated from a high school in B
- Will, or currently, attend C

Other eligibility requirements are specific to each of your programs as described below:

D Program

Your initial award, the D Program, is the foundation for all your programs. Each additional program subsequently builds from this program until the recipient has reached the percentage of their total cost (including qualifying expenses) you will cover.

Students will complete an application packet that includes the following:

- Complete application
- Resume
- High school transcript
- Free Application For Student Aid (FAFSA)
- At least one letter of recommendation

Your Selection Committee will evaluate and select recipients based on the following:

- Academic commitment
- Demonstrated financial need
- Recommendations
- Demonstration of leadership qualities and a potential for persistence and success
- An interview, either in-person or over the phone, with one or more selection committee members

Your Selection Committee may also give preference to first generation college students and siblings of prior recipients. Siblings of a prior recipient may be given preference over an equally qualifying applicant, but not over a less qualified applicant. The need for the sibling is believed to be more so since the family, who has demonstrated financial need, is supporting another child in college. Older siblings are seen as invaluable mentors and resources to help guide the younger sibling through college and be more likely to succeed at navigating college rigors.

For each of your programs, with your graduate program being an exception, your selection committee will evaluate each applicant's FAFSA and consider their student aid index (SAI). The applicant(s) with less than w percent of their total cost to be met is considered to have demonstrated significant financial need. In total, you will only fund up to w percent of total tuition (including additional qualifying expenses) costs and you expect the student's family to fund the remainder. You strongly encourage summer employment, if not enrolled as a full-time student.

Your approximate grant amount is expected to be x dollars per semester for eight academic semesters. It may be increased up to an additional four academic semesters following completion of the first eight. At your committee's discretion, this amount is subject to change and any unused portion in that semester may be carried over to future semesters. In this scenario, only the remaining balance to complete the full initial amount of the award per semester would be granted.

Recipients will be invited to participate in events you will host which include community activities and formal dinners with your officers and directors. Attendance is voluntary and not required. The goal for such participation is to offer comprehensive ongoing support and provide resources by giving the students opportunities to engage with each other and build a network of peer support. This also gives you the opportunity to engage with students and identify any other potential areas of need where you may be able to provide non-financial support, such as mentoring.

In order to maintain their award, students must demonstrate annual progress toward an undergraduate degree and have a minimum grade point average (GPA) of 2.5. Should this requirement not be met, the award may be terminated going forward along with any unused portions from prior years that have yet to be used.

E Program

Your secondary scholarship, E Program, is only available to recipients of your initial award. It is designed to help cover cost where the student has yet to receive w percent of their total costs covered and won't have to take out any loans, or if so, a very low amount, should they receive this award. However, the applicant must agree to not borrow more than y dollars in student loans of any kind during their undergraduate period. The applicant parameters, amounts awarded, and stipulations to maintain the award are the same as described in your initial award.

F Program

All recipients who received your initial and secondary award are invited to apply for an additional award under this program. Financial need is based on the total financial aid, including awards already received under another one of your programs, that is less than w percent of their total cost along with additional considerations and commitments. For example, participation in extra-curricular activities, employment, unpaid activities related to their academic program, "in-kind" employment at the institution, athletic team participant or other NCAA sanctioned sport, or other extenuating circumstances. Each recipient may receive an amount to help them reach having w percent of their total costs covered. All financial aid the recipient will have already received is considered in determining the amount to be awarded.

G Program

Students already receiving one of your awards and enrolls to study abroad or complete a semester at sea for credit to complete their degree, are eligible to apply for funds to aid in covering their cost under this program. Incremental costs not covered by other sources of financial aid must be demonstrated to show a significant unmet financial need. The cost for this program is in addition to the cost of regular tuition. You will fund up to z dollars to cover documented expenses. The amount may be adjusted as determined by your board for inflation and other cost increases.

H Program

Your graduate program award is for students who were recipients of your undergraduate award(s), graduated with an undergraduate degree, and are pursuing a post-graduate degree. The applicant must provide details of the graduate program, including an estimated budget, dates, and a description of the program. The applicant is presumed to have met financial need since their financial situation is evaluated and confirmed each semester during their undergraduate program. You will review any financial aid awarded from the graduate school to

determine the applicant's net cost to attend. A maximum amount of x dollars per semester will be awarded. Any student who maintained the qualifications under your undergraduate scholarship programs will be deemed to have actively participated and eligible. No additional participation will be required. In order to maintain or renew the award, the recipient must demonstrate annual progress toward a graduate degree and maintain a minimum 2.5 GPA. If this requirement is not met, the award will be terminated going forward.

Other Programs

In addition to the programs described above, you may implement scholarship programs at other institutions. The terms, parameters and oversight will substantially be the same. The number of awards, amounts and application process may vary as determined by your Board of Directors.

Over all your programs, the number of grants awarded will be determined by your Selection Committee and will vary depending on your available funds and other ongoing projects. Your Selection Committee will be appointed by your Board of Directors. Your board will identify and select individuals who (i) demonstrate passion and dedication to helping deserving students successfully complete college, (ii) have sound judgement in assessing an applicant's commitment to pursuing and obtaining a degree, and (iii) possess a high degree of organizational and personal skills to be able to track and engage the recipient throughout their college journey.

All scholarships shall be awarded on an objective and non-discriminatory basis. Scholarships will not be limited to any particular course of study. Relatives of board members or selection committee members are not eligible to apply. Members of your board do have a relationship with a limited liability company (LLC) and its affiliates. The children of employees of the LLC and affiliates are eligible to apply, but it is not a condition, and no preference is given to such applicants. To further ensure a conflict of interest does not exist, any committee member, which may include a board member, who has a business relationship with the LLC or affiliates, will recuse themselves from being involved in selecting recipients should one of their employee's children apply.

You will make payments directly to the selected educational institution, including private or public universities or colleges. Such distributions will be made to the educational institution under the condition that the educational institution agrees to use the scholarship funds to (i) defray the recipient's educational expenses or (ii) to pay the funds (or a portion thereof) to the recipient only if the recipient is currently enrolled and his or her standing is consistent with the purposes and conditions of the award. Where a distribution directly to the selected educational institution would not result in a defrayment of the recipient's educational expenses, you may make disbursements of award payments to an education fund for the benefit of the recipient, to a third party to pay educational expenses directly on the recipient's behalf, or to the recipient directly upon proof of recipient's payment of educational expenses, so long as such disbursement is for actual expenses and does not result in a private benefit.

As a condition of receiving an award, you require that the recipient file a report with the Selection Committee at the end of each scholastic period that outlines the recipient's progress and includes the recipient's latest transcript, tuition bill, and annual budget worksheet. If the recipient fails to submit a report within sixty (60) days after the end of a reporting period or, if the Selection Committee concludes (after review of such a report) that a recipient has not attended an educational institution, the Selection Committee will take appropriate action to seek a refund of the recipient's scholarship award.

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.
- The effective date of our approval is Date, which is the date your request was submitted.
- 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, Letter 4792