

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201726018**

Release Date: 6/30/2017

Date: April 7, 2017

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Board Member

w dollars = dollar amount

x dollars = dollar amount

y = number

z = number

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 provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program. Your purpose is to make education possible for youth from impoverished countries. You will award scholarships primarily to students from impoverished countries who agree to come to the United States and enroll to study here. Your founder, B, wants to make a positive impact on the lives of poor children living in impoverished countries by making education possible for them. However, students from within the United States may also apply and be considered for these scholarships.

The scholarship program will provide support to students from grade school to graduate school level and can be in amounts from w dollars up to x dollars depending on the individual's expenses and financial situation. There is no exact minimum or maximum scholarship amount.

You have an application, which will be disseminated to your partner schools, school districts, and communities. You will reach out and collaborate with schools primarily in impoverished countries to find promising student scholars. B may recommend to candidates that they apply for the scholarship, along with schools or teachers who may identify potential candidates. These students will be directed to complete an application form.

Individuals currently enrolled in or accepted to a grade school, college, university, or graduate school and exhibit financial need are eligible for the scholarship. Recipients will be selected based on criteria which include financial need, excellent academic performance, character, motivation, and potential, and personal references. Candidates will be required to complete an application and be able to provide references, letters of recommendation, proof of enrollment, financial information, and other documentation needed to determine eligibility.

Your current and former employees, officers, directors, and agents, and any members of their immediate family and those living in their households are ineligible to receive your scholarship.

Your board of directors, consisting of y individuals, including B, is your selection committee. Applications will be presented to your board of directors at monthly board meetings. Your board will decide who will receive a scholarship and the amount. B has the tie breaking vote.

Per your award letter, scholarship funds will be sent directly to schools prior to the start of the academic year.

You require recipients to maintain a minimum grade point average of z during the term of the scholarship. You require periodic reports from the educational institution of courses taken and grades received. Upon completion, you also require a final report. If a student is in graduate school, you require a report on the progress of the recipient's thesis or other project annually that has been approved by a faculty member.

If a recipient fails to submit the reports, does not meet the grades requirement, or does not comply with requirements of the scholarship, you may terminate the scholarship and stop distributions.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee

are used for their intended purposes, and withhold further payments to grantees until it obtains grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You also represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that it undertook the supervision and investigation of grants described in the prior paragraph.

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.

We've sent a copy of this letter to your representatives 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