

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

Department of the Treasury

Date: February 20, 2020

Number: **202020023**

Release Date: 5/15/2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Project
C = Foundation
D = High School
E = School District
F = High School
G = University
H = Number
J = Number
K = Year
y dollars = Amount
z dollars = Amount

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 and fellowship program called B that will be co-funded by C. The purpose of B is to help students achieve their academic objectives while fostering their personal character strength development.

The mission of B is to empower youth through possibility thinking and innovative problem-solving for greater personal freedom, social mobility and the betterment of their community. B provides high school students with the resources, innovative experiences and a network of support to move toward post-secondary education and career options – all with a focus on providing equal access to social mobility. Through individualized coaching and mentor relationships, real-world career exposure and hands-on learning experiences, B fosters the growth of key character traits while supporting entrepreneurial thinking that enables students to achieve their educational and vocational goals.

You began piloting B at a local high school, D, and expanded to the nearby E school district, beginning with F High School. At each school, your staff hosted informational workshops with students, parents, guardians, and school officials to make students aware of the B objectives, eligibility, and application process.

You initially selected H students from D and later selected J students from F High School to participate in B. In the future, you plan to expand to other high schools, which will be selected based on their level of administrative support, diversity of the student population, and school district need. Informational workshops will be held each year at participating schools similar to those already held at D and E school district. Additional students will be selected to participate in B each year, culminating with high school students graduating with the class of K.

Each student selected for B is expected to participate in the program for four years. For each student's first two years in the program, the student will participate in monthly group meetings and bi-weekly one-on-one coaching sessions with a program coach who will guide them through their pursuit of a personalized educational and life goal attainment. Students will learn about key character strengths and entrepreneurial mindset components to assist them with goal-setting, problem-solving, and decision making. The last two years of a student's participation in B will involve exposure to career fields of interest and participation in community service projects, in addition to quarterly group meetings and bi-weekly one-on-one coaching sessions.

For each year of a student's participation in B, they will be awarded scholarship funds that will be deposited into a savings account that the student will have access to upon graduating from high school. Each student will be awarded y dollars in scholarship funds for completion of the first year of the program with annual increases of y dollars for each additional year of participation so that the student may be awarded a total of z dollars if they successfully complete four years of participation. The annual increases are intended to induce students to continue participating in B as demands on their time and participation in the program increases each year. Students will be notified by letter upon completion of each year of participation regarding scholarship funds they have been awarded.

Upon graduating from high school, students can request that their scholarship funds be distributed to the post-secondary school of their choice to be used toward tuition. Students must use their scholarship funds within six years of graduating high school or the funds will be forfeited. Any funds not used by the student will be donated to an endowment fund at G that supports students seeking to further their post-secondary education.

Although each student selected to participate in the program is expected to participate for the full four years of high school, you maintain the right to remove a student from B in extraordinary circumstances, such as a failure of a student to maintain an adequate level of participation. A student can also voluntarily remove themselves from the program. If a student leaves the program, they will still have access to any scholarship funds already awarded, as long as the funds are used toward post-secondary education or training within six years of high school graduation.

Your selection committee selects students to participate in B based on their application which includes a student describing themselves in a creative way (i.e., a video, comic strip, poem, piece of artwork, etc.), a personal essay describing a specific experience or event in their life, and a letter of recommendation. Individuals that exhibit determination and perseverance to achieve academic objectives and the desire to identify post-secondary educational options will be selected to participate in an interview with the selection committee. The interview will include a rubric in which the students are scored on their ability to demonstrate the following qualities: accountability, creativity, curiosity, gutsiness, passion, and resilience.

Your selection committee is comprised of community and education-based professionals in the fields of academia and youth development. Relatives of your selection committee, officers, directors, and substantial contributors are not eligible to be selected.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, 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 diversions from occurring.

You also represent that you will maintain the following: (1) all records relating to individual grants including information to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

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