

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Concept
C = Individual

Dear :

You asked for advance approval of your scholarship and educational 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.

Our determination

We approved your procedures for awarding scholarships and educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships and educational grants meet the requirements of Code Sections 4945(g)(1) and 4945(g)(3). 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

You intend to provide scholarships and fellowships/grants which support your charitable and educational programs and activities. Your programs will assist individuals who demonstrate commitment towards advancing and promoting C's philosophy known as B.

4945(g)(1) Scholarship Program

Your letter indicates you will operate a scholarship program. The purpose of the scholarships is to assist students demonstrating academic merit and financial need to further their education.

It is expected that the scholarship amounts will be used by the recipient for tuition, books, or living expenses while attending school. Scholarships will be restricted to students who are or will be enrolled in a formal educational program leading to a certificate or degree at an accredited school or educational institution that qualifies under Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code.

The amount of each scholarship will be determined by the cost of tuition at the specific educational institution and the student's demonstrated financial need, taking into account any other financial aid the applicant expects to receive.

Your scholarship application is available on your website. Each application will be evaluated based upon an objective rubric to be designed by you giving weight to the applicant's academic achievement, recommendations, essay responses, and financial need. The financial need criterion will be determined by you based upon a review of a financial need assessment and consideration of any other financial aid the applicant expects to receive.

The conditions placed upon the scholarships shall be that: the recipient must be enrolled and in good standing in an eligible educational institution, and the scholarship must be used to cover the cost of the student's tuition, fees, books, room and board, research, fees and other expenses associated with the completion of the recipient's degree or certification.

All scholarships awarded are expected to be paid either directly to the recipient or the accredited educational institution in which the recipient is enrolled provided the educational institution agrees to use the amounts awarded for their intended purposes. You will require an annual report from each educational institution for the purpose of confirming the recipient's enrollment, good standing and academic performance (e.g., courses taken, grades received, etc.).

4945(g)(3) Grant Program

You will also operate an educational grant program. You intend to provide grants to improve or enhance the teaching, education, or other similar capacity, skill or talent of the grantee, and achieve a specific objective, or produce a particular product (e.g., book, thesis, report, etc.) collectively.

You stated the purpose of the grants is to assist individuals who demonstrate talent, potential, and perseverance in a particular field of interest, and financial need, to pursue their interests in that field. It is expected that the grant amounts will be used by the recipient for travel, registration fees, living and other expenses related to the pursuit of the recipient's chosen field of interest.

You require an application for your grant program, which is available on your website. The application process includes submission of a proposal, including a budget. The application requires the applicant to describe their familiarity with B, as well as any prior successful projects.

Grants will be awarded to individuals who meet the following requirements:

1. Demonstrate financial need;
2. Demonstrate knowledge and understanding of B; and
3. Demonstrate ability to produce a report or other similar product; or for improving or enhancing teaching education, or other similar capacity, skill, or talent of the grantee.

Each grant application will be evaluated based upon an objective rubric to be designed by you giving weight to an applicant's talent, potential, and perseverance in their chosen fields of interest or their demonstrated commitment towards a specific objective or the development of a specific product (*e.g.*, book, thesis, report, etc.), and financial need.

The conditions placed upon the grants shall be that: the grant must be used by the recipient for travel, registration fees, living and other expenses for the pursuit of the recipient's chosen field of interest which is related to improving or enhancing the teaching, education, or other similar capacity, skill, or talent of the recipient, to further a specific objective, or to facilitate the development of a particular product (*e.g.*, book, thesis, report, etc.).

For fellowship grant awards made to fund particular projects not involving coursework (*e.g.*, book, thesis, report, etc.), you will require an annual report describing the project and verifying its progress by the supervising faculty member or another appropriate official at the educational institution, with a final report being submitted to you upon the project's completion. Annual reports will not be required if the fellowship grant awards are paid directly to the accredited educational institution in which the recipient is enrolled provided that the educational institution agrees to use the amounts awarded for their intended purposes and the recipient is in good standing at the educational institution.

For both programs, the recipients shall be selected by the board, with the assistance of a committee comprised of officers and/or your employees to assist the board with the operation of the program from time to time. At no time in the award application process will you discriminate against any applicant on the basis of race, religion, creed, color, sex, age, physical or mental disabilities, sexual orientation or national origin. You will not provide educational loans.

There is no limit on the number of potential applicants for these programs. Award recipients will not be chosen from any particular educational or scientific institution, or from any particular geographic location. Therefore, the potential recipients are broad enough to constitute a charitable class.

The amount of each scholarship and grant is intended to vary, with such amount dependent on the available funds and the number of applications received. No fewer than one award is expected to be made in each fiscal year. You do not require any services to be performed before, during, or after the applicant receives an award.

The following individuals shall not be eligible to apply for or receive an award from you: (a) any employee of yours, as well as any family member of such an individual; (b) any executive, officer, or director of you, as well as any family member of such an individual; and (c) any otherwise "disqualified person" with respect to you as defined by Section 4946 of the Code, as well as any family member of such an individual.

At your discretion, you may renew any award so long as you are not in receipt of information indicating misuse of the award by the recipient, all required reports concerning the recipient have been received, and the recipient continues to satisfy the conditions of the award and remains eligible to receive the award.

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, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the 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 represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the 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 Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
 - 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 programs 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 representative 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