

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

Department of the Treasury

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Release Date: 4/30/2021

Date: February 2, 2021

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Program
C = Community
D = Region
E = Number
g dollars = Amount

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 provide educational scholarships through a program called B. The program is open to minority and first-generation college students connected to the C community in the D region. In addition to providing need-based funding, you assist scholars as they navigate through their higher education programs with emotional and moral support for challenges they may encounter. Candidates accepted into the B program may receive up to g dollars per year to cover unmet financial needs.

You will publicize the program through your website and through community partners working in targeted neighborhoods of the D region.

Eligible candidates must demonstrate both a passion for personal development and a commitment to community service. Eligibility criteria includes graduating high school or GED students from specific neighborhoods in the D region who have at least a 2.0 GPA. The targeted neighborhoods have a concentrated population of minorities and immigrant families that are part of a charitable class.

Specific selection criteria include the following:

- Completion of high school or GED program
- 2.0 GPA in most recent transcripts at time of application
- E hours of community service completed within the last two years
- Proof of FAFSA and state financial aid application
- Application to three additional scholarships for the year seeking funding
- Demonstrated financial need

Your selection committee is composed of your program coordinator, officers, board members and community members.

The scholarship is renewable for up to five years toward completing a bachelor's degree or other 4-year higher education program. Only scholars who have stayed in mutual communication with the program coordinator, met the renewal deadline, and have timely submitted their community service hours will be eligible for renewal.

Funds will only be disbursed directly to the educational institution students are attending and will be used to pay for tuition and mandatory lab fees, books, and supplies. The school distributes funds based on full-time enrollment. Grade reports are to be turned in to the program coordinator one week after they are posted on the institution's student portal.

Recipients must maintain a cumulative 2.0 GPA and participate in all college cohort group meetings (if held). In the first instance that the scholar cannot meet the minimum GPA or credit requirement to be a part of the program, they will enter into an agreement for a "success plan" in addition to the regular terms and conditions of the program. The program coordinator will meet face to face with the scholar to identify areas of concern in the previous term. These could include study habits, personal lives & responsibilities at home and/or work responsibilities. The program coordinator and the scholar will discuss ways to mitigate these issues for the next school term. The scholar will partner with resources at school to ensure they are taking advantage of all the services offered, such as tutoring and writing center, counselor (if available at school), or study groups. The scholar will agree to share midterm grades and will check-in with the program coordinator at the end of each month and be ready to discuss wins and challenges they faced.

If the scholar does not meet GPA or credit requirement a second term, they will be suspended from the program until they can demonstrate consistency. If they have a third offense, they will be terminated from the program for an entire year (3 quarters or 2 semesters) and must reapply as a new candidate. On the fourth offense the scholar will be terminated from the program permanently.

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 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 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 you undertook adequate supervision and investigation of diversion of grant funds.

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