

**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:**

**Date: 8/9/2011**

**Contact Telephone Number:**

**LEGEND**

**UIL 4945.04-04**

X= Scholarship Program  
Y= Scholarship Program  
Z= Public School District  
u= Dollar amount  
v= Quantity  
w= Quantity  
x= Dollar Amount  
z= Dollar Amount

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated November 27, 2009.

Our records indicate that you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your letter indicates that you will operate two grant making program, X and Y.

The purpose of X is to award scholarships to students who will attend college, a university or vocational school after graduating from high school in Z. You will award scholarships to eligible recipients who without financial help, would find it extremely difficult or would be unable to attend a higher learning institute.

To be eligible for X, applicants must have attended a school in Z for their entire senior year of high school, as either a full-time student or a part-time student if they are also taking college classes. The applicants must also maintain a grade point average of 2.0, and if requested submit copies of both their income tax returns and those of their parents. Moreover, they may be requested to submit a list of personal and parental assets and liabilities. Because more than 75% of students in Z qualify for free/reduced lunches, Z qualifies as a Title I poverty level school; therefore, the financial need of the applicants is not an issue that has needed to be addressed, as all applicants have financial need. You reserve the right to use student/parent tax returns along with lists of liabilities and assets to determine which applicants would have the greatest financial need.

To apply for X, students must complete an application form, submit a certified academic transcript, submit three letters of recommendation from current or recent teachers or professors, and provide a written statement explaining why you should grant them the scholarship. You will give out scholarship announcements and scholarship applications to each member of the senior class. You will also distribute announcements through the office of the school counselor and through the Office of the Superintendent.

The selection committee for X will consist of three retired individuals, who are supporters of both public education and higher education. If a relative of the selection committee applies for a scholarship, the committee member will abstain from the decision-making process pertaining to that particular applicant.

The criteria for selecting scholarship/grant recipients is based strictly on academic needs and advancements, the individual applicant's desire to further his/her education, the recipient's personal narrative and overall academic record. All scholarships are awarded on an objective and non-discriminatory basis.

The amount of each of X's scholarship award is \$u per year. Approximately v will be eligible to apply and approximately w scholarships will be awarded.

The selection committee will receive verification of enrollment for each scholarship recipient from the college/university/vocational school the student will attend before any funds are disbursed. Scholarship funds will be made payable jointly to the institution of higher learning and the student to insure that funds are used appropriately. One-half the scholarship award is paid in the first semester. In order to use the second semester funds, a student must maintain a 2.0 GPA for the first semester of college or the first half of training in a vocational field. Because scholarships are disbursed on a short-term basis (per semester) rather than long term, it is easier to follow-up on award recipients. If the committee discovers a misuse of award funds, further funding will be withheld from the recipient. Under certain circumstances, recipients maybe asked to repay a portion of the scholarship funds received.

The purpose of the other grant making program, Y, is to award scholarships to teachers employed by Z who wish to pursue a masters or doctorate degree.

To be eligible to apply for Y, the applicants must be currently employed by Z and have been employed by Z for a minimum of 2 years before applying for the scholarship. The applicants must submit an application along with a written statement explaining why you should grant them the scholarship and explaining how the scholarship would benefit the students of Z. The applicants must also submit three letters of recommendation from their current employer, co-workers, or professors and a certified copy of their most recent academic transcript. Moreover, the applicants must provide a current statement of assets and liabilities. In addition, the applicants may be requested to submit a copy of their most recent tax return.

The selection committee for Y will also consist of three retired individuals who are supporters of both public education and higher education. If a relative of the selection committee applies for a scholarship, the committee member abstains from the decision-making process pertaining to that particular applicant. All scholarships are awarded on an objective and non-discriminatory basis.

The determination of the scholarship will be based on the applicants' written explanations, the applicants' statements of need, and availability of funds.

The annual scholarship award for Y is x. One-half of this amount will be paid in the first semester. In order to use the second semester funds, a recipient must maintain a 3.0 GPA, provide an updated official transcript at the end of each semester and provide proof of enrollment at the beginning of each semester. In addition, the maximum amount of funds a recipient may receive during a four-year period is z. Furthermore, the maximum amount reimbursed for a master's or doctorate degree will be z.

Scholarship funds are made payable jointly to the institution of higher learning and the recipient, insuring that funds are used appropriately. In addition, scholarships are disbursed on a short-term basis (per semester) rather than long term, so it is easier to follow-up on award recipients. If the committee discovers a misuse of award funds, further funding will be withheld from the recipient. Under certain circumstances, recipients may be asked to repay a portion of the scholarship funds received.

For both X and Y, you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the Scholarship 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 Scholarship funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until they obtain assurance that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You also agree to maintain records that include the following:

- (i) Identification and qualifications of potential grantees.
- (ii) All recipient reports and other follow-up data obtained in administering X and Y.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois Lerner  
Director, Exempt Organizations