

**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:

UIL 4945.04-04

LEGEND

U = County and associated school districts
W = Individuals
X = State
Y = Scholarship Program
Z = City (Metropolitan Area)

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 March 17, 2011.

Our records indicate that you are 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 a grant-making program called Y.

The goal is to identify students who would need scholarship funds to attend college and to encourage academic performance; in order to pursue this goal you will identify students while attending elementary school and follow them through high school. These objectives will be achieved by forming a unique public/private partnership with public schools in the Z. Through this partnership your program will help the public schools improve the educational outcomes for their students and increase the college participation of children from disadvantaged neighborhoods in the Z.

You will work with the local Z public schools administrators to identify schools in underprivileged neighborhoods with high (exceeding of enrollment) student population on federal free and reduced lunch programs. From this selection you will meet with administrators to identify a particular school and class that would support your program and to carry out the purpose of the program. In addition you will consider a class that is old enough to appreciate the program and young enough to benefit from the academic encouragement that your program will offer.

Once a school and grade level has been identified, your program will be made available to all students at that school and in that grade who participate in the free and reduced lunch program. These individuals will be defined as eligible "Scholarship Students". Eligibility will be re-evaluated in the chosen class after their senior year of high school. In order to remain eligible the Scholarship Student must:

- a. Graduate from the public elementary school chosen as well as from the local public high school.
- b. Be in need of a scholarship. Such need shall be determined based on the eligibility of a Scholarship Student to receive free or reduced lunch in their senior year of high school.

You have identified the first group of eligible students by using the methodology as stated above. You worked with Z public schools and identified sixty public schools in the U that have more than _____ of their enrolled students participating in the federal free and reduced lunch program. From this group of sixty schools you met with administrators to identify a particular school and class that would support your Program. A Third grade class was determined to be the most appropriate. If funds are available, future classes would be determined in the same manner as above.

You will have an initial list of students and a list of transfer students. The transfer students would only be eligible for scholarships if the test results on the eighth grade national standardized test met the performance standards. This information will be available from the school after the eighth grade graduation. The two groups are defined below.

- a. The initial group will be students who are enrolled in the grade level and school originally selected. If the student leaves the particular school selected prior to eighth grade graduation or the student does not graduate from the corresponding high school, then the student will no longer be eligible for your program. Any student in the selected class who is not promoted with the class in each year through high school will no longer be eligible.
- b. A transfer student who joins the class at the same elementary school and qualifies for the free or reduced lunch program will also be included as an eligible student provided that the group of Scholarship Students when they reach eighth grade meets certain performance standards. Those standards will be based on performance on a national standardized test as being used at the school. The group of Scholarship Students will either need to beat the national average on such test or show significant improvement over their scores in prior years.

A transfer student is anyone assigned to the selected class after the initial date who is a new enrollee in the school. It will not include a person who is previously enrolled at the school in a different class who leaves the school and then returns and is now assigned to the selected class. It will also not include anyone who becomes assigned to the class who becomes a

member because they either were not promoted or because they were otherwise held back for any reason.

You will receive the information from the grade school after eighth grade graduation so that you can determine the final list of eligible students. No names will be added to the list after eighth grade graduation. In the senior year of high school all student who were on the list who are still enrolled in the district high school and are still on free or reduced lunches will be sent a letter informing them to notify you when they are accepted to college. This letter will be sent in September of their senior year. There will be follow-up letters in January and April to those who have not responded to the earlier letters.

The conditions of the scholarship are:

- a. Students must use other scholarship funds available to them before being available for funds under this program. Students must work with the committee identified below to identify and apply for other scholarships for which the student may be qualified.
- b. Scholarships will cover cost of tuition, room and board at any X state university.
- c. Scholarships will cover tuition and books for any X community college.
- d. Upon prior approval, scholarships can be used outside of the state of X in dollar amounts not to exceed the cost of an equivalent education in X.
- e. Students must maintain a 2.0 grade point average (GPA) in college. If the student's GPA falls below 2.0, the student may be reinstated if he/she brings the GPA back up to 2.0 or higher.
- f. Student must complete a minimum of 12 credit hours per term and make regular progress towards a degree.
- g. Scholarships are good for a maximum of 4 years.
- h. Students who graduate from college in less than 4 years can use the scholarship toward graduate school fees and costs.

Your program will be introduced to the chosen grades and schools through public meetings. It is anticipated that you will provide a commitment letter for each student who qualifies as a Scholarship Student. This letter will explain the commitment being made by all parties.

Your administrative trustees have selected W as the initial members of the committee to select grades and schools where your program will be implemented. If the program should grow to a point where additional committee members are necessary, the administrative trustees intend to designate selection of such additional committee members to W. However, upon the designation of any additional committee members, the names of such members shall be submitted to the administrative trustees. Your administrative trustees will maintain oversight responsibility for the selection of qualified committee

members. No relatives of members of the selection committee, or relatives of officers, directors or substantial contributors will be eligible for awards under your program.

It is anticipated that all funds will be paid directly to accredited educational institutions; which will agree to use the scholarship funds to cover the recipients authorized expenses at the institution. If a recipient wishes to attend an educational institution that is not willing to comply, the recipient will be required at the end of the academic year to send you a report of courses taken and grades received. This report must be verified by the educational institution. If the report is not submitted on a timely basis you will take all appropriate steps to recover funds given to such recipient. Such action may include legal action against the recipient if deemed appropriate. No additional funds will be given to any recipient if such recipient fails to submit the required report. At the time that a recipient is notified of the awarding of a scholarship, the recipient will be required to agree to return all grant money if such report is not submitted on a timely basis. In addition you will investigate any possible misuse of funds by the recipient, withhold further funds during investigation if a misuse of funds is discovered, and seek recovery of any misused funds.

You will maintain the following records.

- Information used to evaluate the qualifications of potential grantees. This would include not only your information on the individual students but the information obtained to evaluate all potential grantees within your search process from selecting the area, school and grade.
- Identification of the grantees (including any relationship of any grantee to the private foundation), the amount and purpose of each grant; and
- All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

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) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) 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 providing 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 'scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) 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(k)(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.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

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

Sincerely yours,

Lois G. Lerner
Director, Exempt Organizations

Enclosure: Notice 437
A copy of redacted Letter