

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

Department of the Treasury

Number: **201252019**
Release Date: 12/28/2012

Employer Identification Number:

Contact Person - ID Number:

Date: October 5, 2012

Contact Telephone Number:

LEGEND

UIL: 4945.04-04

T = State
V = County
Y = High School
Z = City
b dollars = dollar amount

Dear _____ :

We have considered your request for advance approval of your modified grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated December 16, 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 have modified your grant-making program.

Purpose

Your purpose is to hold and administer certain funds to provide scholarship grants to individuals for study at educational institutions. Your scholarship policies and procedures have been prepared to ensure that the scholarship grants meet the requirements of paragraph (1) of section 4945(g) of the Internal Revenue Code ("Code") and section 53.4945-4 of the Treasury Regulations and are awarded on an objective and nondiscriminatory basis.

Compliance with Code Section 4945(g)

All scholarship grants shall meet the requirements of paragraph (1) of section 4945(g) of the Code.

Paragraph (1) of Code section 4945(g) permits grants that are scholarships or fellowships, which are excluded from gross income under Code section 117(a) and are to be used to study at an educational institution described in former Code section 151(e)(4). A scholarship or fellowship grant is defined as a grant to a degree candidate for tuition, fees, and other expenses. These grants are to be used for study at an educational institution that maintains a regular faculty and curriculum and has an organized body of students in attendance at the place where the educational activities are held. You intend to make the scholarship grants qualifying under paragraph (1) of Code section 4945(g) in the form of scholarships for students attending qualified colleges and universities.

All scholarship grants shall be awarded using an objective and nondiscriminatory selection process approved by you in advance of making awards.

You have described changes in your previously approved scholarship grant program. You further acknowledge that you may in the future create new categories of educational grants with different requirements than those previously described. However, all such new categories of educational grants will be subject to all other relevant requirements of existing program policies and procedures. Such changes would not be regarded as material modifications to your previously approved scholarship grant program and would not require individual approval prior to implementation.

You are incorporating the following changes into your previously approved scholarship grant program.

1. With respect to the number of scholarships and amounts, you include the provision that your board of directors may decide not to award any scholarship grants in any particular year. It will be your sole discretion as to which type and number of these educational grants you will make available in any given year, and you reserve the right to not offer or cease offering a particular type of educational grant in any given year.
2. With respect to selection criteria, you add a 4th type of educational grant, *Extracurricular activity achievement grants*, to the current 3 types of educational grants you will make, (*Leadership/classroom citizenship awards, Financial need-based grants, Academic achievement grants*).

Extracurricular activity achievement grants – Extracurricular activity achievement grants will be made in the form of scholarships for students attending undergraduate and graduate programs at qualified colleges and universities. Extracurricular activity grants will be awarded based on the student's participation in high school in any extracurricular program including, but not limited to sports, the arts, forensics, mock trial, student government, academic related, service related, or school spirit related clubs and demonstrated leadership, good character, and good behavior of the student. All Applicants for extracurricular activity grants must possess a cumulative grade point average of at least 2.5 or demonstrated academic achievement through performance on a standardized test in the fiftieth percentile. Applicants are required to summarize instances of demonstrated leadership and discuss their participation in the particular extracurricular activity as part of their written discussion of the reasons for applying for the scholarship grant.

You reserve the right to limit eligibility for an extracurricular activity achievement grant to persons who participate in a single activity or certain activities, e.g., basketball, marching band, etc., determined by you. Should you limit eligibility in such a fashion, you will make the extracurricular activity achievement grants(s) available to students from more than one school. You will ensure that the schools selected have, in the aggregate, students participating in the selected activity numbering 750. If you do not wish to engage in the process of identifying schools with students participating in the selected activity in the required numbers, then you may instead make such an extracurricular activity achievement grant that is limited to a certain activity open to all schools located in the counties adjacent to V. Additionally, you reserve the right to make such an extra curricular activity achievement grant open to all schools located in T or any other state of the United States.

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,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements

Enclosed:

Notice 437
Redacted copy of Letter