

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45202

Department of the Treasury

Number: **201316022**
Release Date: 4/19/2013

Employer Identification Number:

Contact person - ID number:

Date: January 25, 2013

Contact telephone number:

LEGEND:

X= scholarship program

UIL: 4945.04-04

u = dollar 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 operate a scholarship program called X. The purpose of X is to provide grants for youth and young adults to reach their full potential through a college undergraduate and/graduate program. The objective is to help, through financial aid, on a nondiscriminatory basis, any person who can establish a need and who evidences the potential ability to fully complete a course of study.

Scholarships are awarded based on need and the anticipated education costs. While there is no set amount awards are not expected to exceed u dollars. You plan on offering twelve scholarships annually. Each grant is tailored to the applicant after a full review of the application by the entire Board of Directors. Applicants must meet the following requirements:

- Graduation from high school;

- Minimum high school GPA of 3.0 and potential for college success demonstrated by high school course work that exceeds the state minimum mandated requirements;
- Financial need established by a parents' tax return, a Student Aid Report, or other supporting type of evidence;
- Each applicant must provide an essay that describes in detail the student's plan for further education, the family's financial ability to pay, and something about the student's motivation to succeed;
- Maintenance of a minimum GPA of 2.5 for each year of the scholarship term;
- A third-party recommendation that describes character and potential for success.

You stated that you will not discriminate on the basis of race, religion, sex, age or sexual preference when evaluating applications for scholarship grants. At least annually, the full Board of Directors will review whether the student has properly met the terms of the scholarship grant before any new funds will be committed.

Under your program, award amounts will be determined by your Board of Directors. Scholarships are intended for those with significant need and the ability to succeed in a college environment. You inform selected high schools that you have scholarship funds available and provide an application form for any interested students. Recipients are required to submit an annual report of their progress to you at the end of each school term. You monitor the use of scholarship funds by requiring each recipient to provide an official copy of their student report (transcript) showing courses taken and grades received (if any). Recipients are expected to pursue a degree at an educational institution. In each case it is stipulated that a renewal of the scholarship funds for any succeeding period is contingent upon evidence of adequate performance at the time of review. Whenever possible the scholarship funds will be paid directly to an educational institution for the benefit of the recipient.

Each scholarship under your program will be subject to your annual review and approval of the recipients' academic record and other relevant information. Under your procedures, the scholarship recipients from prior years are eligible to have their scholarships renewed annually, but each recipient will be required to maintain the same performance standards as are first-time applicants.

Your Board of Directors makes selections of your scholarship recipients. Your Board of Directors has six (6) members who are disinterested persons. Any relatives or family members of the Board of Directors are not eligible to apply for your scholarship grants. Applicants must apply directly to you. The only limitation is the amount of scholarship funds that you may have available; otherwise, there is currently no limit on the number of individuals that are eligible to apply for the scholarship.

Additionally, you signed a written statement to acknowledge and agree to continue to maintain records that include: (1) Information used to evaluate the qualifications of potential grantees; (2) Identification of the grantees (including any relationship of any grantee to you), the amount and purpose of each grant; and (3) All grantee reports and other follow-up data obtained in administering the your scholarship grant-making program.

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,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements