

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

Department of the Treasury

Number: **201340019**
Release Date: 10/4/2013

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: 7/12/13

LEGEND

UIL: 4945.04-04

X= Program Name
Y= Location
b= Quantity
c dollars= 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 will not 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.

Your purpose is to advance religion and education.

The purpose of X is to assist individuals in pursuing an advanced education that will help them become Christian role models and to support the outreach of bettering the community with a foundation of Christian ideals.

You intend to annually award b scholarships for c dollars. You may change this amount over time, depending on your available funds and other factors. Funds may be used for tuition, books, and supplies and other qualified expenses as specified by IRS guidelines.

Scholarships will generally be limited to Y but applications from other locations throughout the United States might be considered if the applicants present a compelling basis for you to do so such as exemplary education goals, extraordinary capacities, extreme need, and other unusual circumstances.

The scholarships will be publicized through universities, community colleges, high schools, internet scholarship sites, and other venues as necessary to find the best applicant pool. Applications may be requested by emailing you and then the details of the application requirements and the application will be sent.

Eligible applicants are high school graduates, including current or former under graduate or graduate students or high school graduating seniors pursuing a post secondary degree in an accredited school. Applying high school seniors must provide verification of their graduation before receiving any scholarship funds. A focus on religious study is not a requirement. You will not discriminate on the basis of gender, race, ethnicity, or any other basis provided by applicable law.

Applicants must complete a detailed application form including information on volunteer/extra curricular activities and work experience. Applicants must also complete two essays and provide information concerning their financial need. Applications must be submitted to you by either postal mail or e-mail no later than the beginning of May for awards given in June.

The scholarship selection committee will consist of your three board members; any changes to the selection committee will require approval from your directors. Members of the selection committee and their relatives will not be able to apply for the scholarships.

Recipients will be selected based on their comparative worthiness, their financial need, and their demonstrated historic and intended Christian pursuits and aspirations. Specific selection criteria consist of the following:

- a. Academic history including prior degrees and Grade Point Average(GPA).
- b. Church relationships and history.
- c. Work experience.
- d. Volunteer and extracurricular activities.
- e. Financial need.
- f. Written essay that covers:
 - Applicant's history of faith and meaning to the applicant.
 - Applicant's future plans including Christian goals and aspirations.
 - Applicant's assessment of his/her perceived call to future activities.

Applications will be ranked on a scale of 1-5, with 5 being the highest. You will reduce the number of applications being considered to two times the number of awards to be given by comparing the combined scores for the above categories, except financial need. You will review these applications in a final meeting to select the award recipients. You will then consider financial need when two or more applications are very similar.

To insure an unbiased selection process, initial reviews of the applications will not include names of applicants. In addition, the identity of the applicants will not be disclosed until after the scholarship recipients are selected. Scholarship recipients will be required to reapply each year for the scholarship.

Scholarship awards are given directly to the recipient. You will inform recipients in ample time for the recipients to plan for their ensuring term, ordinarily not later than the end of June in preparation for a fall semester enrollment.

Recipients must sign a scholarship agreement before any funds are disbursed. The agreement states the recipients warrant:

- They are currently enrolled or have been accepted and intend to enroll by a certain date as full time students at an educational institution.
- They will be taking a minimum of 12 credit hours .
- They agree to forfeit and return to you the full amount of scholarship funds within 30 days of failure to enroll or upon withdrawal or dismissal from the educational institution.
- They will submit a report of their academic progress at the end of the term during which the funds were disbursed.
- The recipients will provide copies of all receipts and other documents to substantiate legitimate expenses/expenditures.

Recipients will also be asked to sign, complete, and return a receipt within 30 days stating that they have received the award, and how the award has been or will be spent.

If you learn or suspect that the scholarship funds have been misused, you will contact the student verbally and in writing to review the provisions of the scholarship agreement. Attention will be called to paragraph 3 of the agreement in which the recipient agrees to use the funds to defray educational expenses such as tuition, fees, books and supplies. To the extent funds are used for living expenses or otherwise, the recipient understands these amounts will be returned to you and that any unreturned amounts are taxable to the recipient. You will also inform the recipient you reserve the right to inform the school of the recipient's refusal to abide by the scholarship agreement. Any funds used by the student for non-legitimate expenses will be returned to you. You will obtain legal counsel to review options for recovering misused funds.

You will maintain case histories of the recipients, including names, addresses, phone numbers, the date and amount of the scholarship, and the use of funds distributed.

Finally, the selection committee will review the recipients' reports for improving the selection process to help ensure the most deserving applicants receive your 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 _____ of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations

- 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.

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

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,

Kenneth Corbin
Acting Director, Exempt Organizations