

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

B= Name
C= High School Name
D= Name
E= Name of Family
F= Date
G= Website

y dollars= 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 B.

Your purposes are exclusively charitable, educational, scientific, literary and /or religious including making distributions to other organizations for such purposes. You intend to

establish B, which will further your purpose by enabling deserving high school students from C to advance their education at accredited higher education institutes. B will also promote the higher education of high school students showing excellence in the areas of leadership, scholarship, citizenship, and sportsmanship. B is named for D, a teacher, who inspired several members of E but is otherwise unrelated to you.

Any graduating student from C accepted by and seeking a degree from an accredited higher educational institute may be considered for the scholarship. Students need not have an "A" average but should be of a caliber to indicate an ability to benefit from and be intellectually equal to work at a post-secondary level. Approximately 300 individuals were eligible to apply for the scholarship for the last academic year but because C is a public high school, this number is expected to vary.

There are two scholarships for y dollars per year. Recipients of the award will include one male and one female graduating student at C each year the program is in effect. The number and amount for the scholarship is fixed. Depending on the success of the program and funds available to you, the number and amount may be adjusted at your sole discretion. Furthermore, the grants are for tuition, fees, books, supplies, and equipment required for educational courses at an accredited higher educational institution described in IRC section 170(b) (1) (A) (ii) and will be awarded on an objective and non-discriminatory manner.

You have developed an online application system through the website G, which contains the actual application as well as the history and other details of B's application process. Applicants must submit a completed application, along with transcripts, official ACT/SAT scores and results, and a resume detailing work history, extracurricular activities, community involvement and anything else they believe will show commitment or performance in areas of leadership, scholarship, citizenship and sportsmanship while attending C. Moreover, applicants must prepare an essay describing a topic of choice that would help show their character to the committee.

The selection criteria for the scholarship will include a demonstrated high level of commitment and performance in the combined areas of leadership, scholarship, citizenship, and sportsmanship during a student's time at C. Financial need of the applicants can be considered by the selection committee, but is a secondary consideration to merit and used primarily as a tiebreaker.

The selection committee shall be composed of the following: the C principal, one counselor and two teachers selected by the principal, one representative of you, and D for as long as he is able and inclined to serve. Members of the selection committee will not be in a position to derive private benefit, directly or indirectly, if certain potential grantees are selected over others. A recipient cannot be related to a member of the committee or to any disqualified person in relation to you. You will be responsible for determining and replacing your representative. C will be responsible for determining and replacing its principal, school counselor and two teachers for the selection committee.

Recipients will be selected and informed in their senior year on or about F approximately 60 days in advance of the deadline to confirm enrollment at most educational institutions.

The scholarship can be renewed annually, up to a maximum of four (4) years total, provided that a student is attending an accredited higher educational institution described in IRC 170(b)(1)(A)(ii), is not on academic or disciplinary probation and is making satisfactory progress toward completion of a degree.

Awards will be distributed directly to the student. Progress reports, including documentation of courses taken and grades received, will be obtained and verified with the educational institution each quarter, semester, or other applicable academic period. Upon completion of the grantee's study, a final report will be collected from the grantee.

If no report is filed by the student, or if reports or other information indicate that the funds are not being used in furtherance of the scholarship purpose, a member of your board of trustees will investigate the jeopardized grant as provided in Reg. § 53.4945(c)(4). While conducting this investigation, you will withhold further payments from the grantee and will take reasonable and appropriate steps to recover grant funds until it has determined that the funds are being used for their intended exempt purpose. Alternatively, scholarships may be supervised as provided in Reg. § 53.4945(c) (5).

You will retain all records submitted by the grantees and their educational institutions, including documents relating to the qualifications of potential grantees, identification of grantees, amount and purpose of each grant, and follow-up reports and investigations. You will obtain and maintain in a file evidence that no recipient is related to you or to any members of the selection committee.

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 Office 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,

Director, Exempt Organizations