

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

Department of the Treasury

Number: **201426027**
Release Date: 6/27/2014

Employer Identification Number:

Contact person - ID number:

Date: April 3, 2014

Contact telephone number:

UIL: 4945.04-04

LEGEND

B= Program Name
C= Name
D= Website
E= Date
F= Dates
G= Month
y= Quantity
z dollars=

Dear _____ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you are operating a scholarship program called B. Your purpose is to help deserving students receive financial assistance for the professional training necessary to build successful, long-term careers in the cosmetology industry. B was established to honor the memory of C, who achieved worldwide success through sacrifice, hard work and determination in the cosmetology industry.

Currently, you are annually awarding approximately y grants for z dollars. The award is made on a one-time basis and is not renewable. Your board will determine the number of

grants and the grant amount. A scholarship recipient cannot be related to a member of your selection committee or to any disqualified person. All grants are made on objective and non-discriminatory basis.

To be considered, applicants must be currently applying for entrance into either a cosmetology or a barber school or actively enrolled in a cosmetology/barber program of their choice. High school students are to apply during the final semester of their senior year; if potential applicants are graduating from a cosmetology /barber school between the dates of F of the current award year, they are not eligible to apply. Esthetician or nail training students are also not eligible to apply for your scholarships.

Your program is publicized on the website, D. Furthermore, applicants are able to access detailed instructions on the application process as well as download the application in either Word or PDF format from D. Applicants must complete the application, which requires them to provide biographical information, educational background and any honors received, work history and financial information. Applicants must also submit a one-page essay, which describes why they want to be a cosmologist, their financial need and ambitions, interests, and a brief family history. Applicants are also required to submit one or two letters of recommendation. Complete application packages are due on E; incomplete and late applications will not be considered.

An independent committee composed of individuals drawn from the industry's professional organizations, family representatives of your foundation, and foundation board members will select the recipients. Committee members are allowed to serve until they choose to retire. New members are selected by invitation and confirmed by a board vote.

The selection committee members score the application packages using the following:

- 30% is based on the quality of the essay;
- 30% is based on the applicants' desire and enthusiasm for a cosmetology career;
- 30% is based on life experiences such as work history, life experiences, and volunteerism;
- 10% is based on financial need.

The recipients will generally be notified by the end of G . Once the recipients are selected, your committee will confirm their enrollment in the school they indicated in their application and you will pay the award directly to the school. Half of the award will be paid by the end of G and the other half during the recipients' month of graduation. If a recipient fails to complete their program, all awarded monies must promptly be repaid to you.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds

held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

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 section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination covers only 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 precedent.

- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in 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 make 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 must 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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations