

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

**Department of the Treasury**

Release Number: **201427020**  
Release Date: 7/3/2014  
Date: April 8, 2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**

B = city 1  
C = city 2  
D = city 3  
F= school 1  
G= school 2  
x = dollar amount  
y = dollar amount  
z = dollar amount

**UIL:**

4945.04-04

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**

You will provide scholarship funding to high school students graduating from F and G. You will also provide scholarships to adults wanting to go back to school to obtain a degree, take classes to advance their work knowledge, or learn a new trade.

The purpose of the high school scholarships is to encourage students to experience post-secondary education by defraying the cost of college, university, or trade school expenses. You will fund up to four scholarships at x dollars each year for four years for a total award of y dollars. Students must maintain a 3.0 grade-point-average (GPA), and payments are made directly to the university, college, or trade school. The purpose of the adult scholarship is to promote lifelong learning and career advancement. Adult scholarship recipients must be over 21 years of age. Scholarship awards are up to z dollars per year for multiple years dependent on the time it takes to finish a degree or training. You will fund up to ten students per year.

You will advertise the scholarship application procedure and deadlines by placing ads in local papers, sending out news releases to the media, posting the information on your website, and communicating through the local high schools.

High school students eligible to apply for scholarship awards must live in your service area of B, C, and D Townships or any of the cities or villages therein and recipients must attend F or C High School. Adult scholarship recipients must be 21 or older and a full time resident of the aforementioned service area.

You will inform students of their award, and will give the recipients an unmet needs form. This form is filled out by the financial aid office of the recipient's college or university and returned to you prior to each semester. All other sources of funding are applied first before applying your scholarship. You will pay the funds directly to the university. At the end of each semester, the student must provide you with their official grades, ensuring they have maintained an overall GPA of 3.0, as well as their class schedule for the upcoming semester prior to receiving additional scholarship funding for the subsequent semesters. If a student's overall GPA falls below a 3.0 they will no longer be eligible for future scholarship funding. In the case of adult scholarship recipients, you anticipate that many recipients will be attending job training or educational programming that may be graded as pass/fail. You will continue funding adult scholarship recipients as long as they are getting passing grades.

You will use a committee made up of three board members and your executive director who review all applications, grade each applicant using a rubric, and make recommendations to the entire board of directors who then vote on the scholarship recipients. The committee judges students on academics, community service, prepared essays and financial need, and adults on need, the ability to improve their job, prepared essays, community service and a biography.

While the likelihood of a relative or member of the selection committee applying for scholarship funding is extremely slim, if it should happen, you would ask that person to abstain from serving on the committee or voting on the scholarship awards during that scholarship award cycle.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded and investigate diversions of funds from

their intended purposes. You will take all reasonable and appropriate steps to recover diverted funds, ensure other funds held are used for their intended purposes, and withhold further payments until you obtain assurances that future diversions will not occur and precautions have been taken to prevent future diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

#### **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,

Director, Exempt Organizations